UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2003

or

☐ **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 (State or other jurisdiction of incorporation or organization)	**N/A** (I.R.S. Employer Identification No.)

24 Raoul Wallenberg Street
Tel Aviv 69719, Israel
(Address of principal executive offices)

011-972-3-645-5220
(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: None

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

Ordinary Shares, NIS 0.1 par value
(Title of class**)**

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 ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. **[ ]** (Not applicable. See Preliminary Notes on page i.)

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ☒ No ☐

As of March 9, 2004, 19,344,849 ordinary shares of RADVISION Ltd. were outstanding (not including treasury shares). The aggregate market value of the ordinary shares held by non-affiliates was approximately $63.9 million.

DOCUMENTS INCORPORATED BY REFERENCE: None

TABLE OF CONTENTS

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 annual report pursuant to Section 13 of the 1934 Act on Form 20-F (in lieu of Form 10-K) and to file its interim reports on Form 6-K (in lieu of Forms 10-Q and 8-K). However, RADVISION Ltd. elected to file its annual and interim reports on Forms 10-K, 10-Q and 8-K.

This annual report and the exhibits thereto and any other document we file pursuant to the Exchange Act may be inspected without charge and copied at prescribed rates at the following Securities and Exchange Commission public reference room: 450 Fifth Street, N.W., Judiciary Plaza, Room 1024, Washington, D.C. 20549, on the Securities and Exchange Commission Internet site (http://www.sec.gov) and on our website www.radvision.com.

Pursuant to Rule 3a12-3 under the 1934 Act 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. However, we distribute annually to our shareholders an annual report containing financial statements that have been examined and reported on, with an opinion expressed by, an independent public accounting firm.

This Annual Report on Form 10-K contains various "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, as amended, and within the Private Securities Litigation Reform Act of 1995, as amended. Such forward-looking statements reflect our current view with respect to future events and financial results. Forward-looking statements usually include the verbs, "anticipates," "believes," "estimates," "expects," "intends," "plans," "projects," "understands" and other verbs suggesting uncertainty. We remind readers that forward-looking statements are merely predictions and therefore inherently subject to uncertainties and other factors and involve known and unknown risks that could cause the actual results, performance, levels of activity, or our achievements, or industry results, to be materially different from any future results, performance, levels of activity, or our achievements expressed or implied by such 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 additional significant uncertainties and other factors affecting forward-looking statements in the Risk Factors section which appears in Item 1 - Business.

PART I

Item 1. Business

General

We were incorporated under the laws of the State of Israel in January1992, 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. We are a public limited liability company under the Israeli Companies Law 1999 and operate under this law and associated legislation. Our registered offices and principal place of business are located at 24 Raoul Wallenberg Street, Tel Aviv 69719, Israel. Our address on the Internet is www.radvision.com. The information on our website is not incorporated by reference into this annual report.

With over a decade in business, RADVISION is 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 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 RADVISION's multimedia communication platforms and software development solutions.

We have approximately 450 customers worldwide including Alcatel, Cisco, FastWeb, NTT/DoCoMo, Philips, Panasonic, Samsung, Shanghai Bell, Siemens, Sony and Tandberg.

In the beginning of 2001, we created 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 and 3G-based networks, supporting most end points in the industry today. These products are sold primarily to resellers and OEMs who use this infrastructure to develop and install advanced IP and ISDN-based communication systems for enterprise customers. The NBU also provides service providers, both 3G wireless and wireline, with integrated solutions that enable the delivery of converged IP-based multimedia streaming and video telephony applications to corporate customers as a managed service, residential broadband customers, and 3G subscribers worldwide.

Our Technology Business Unit, or TBU, is a one-stop-shop of voice and video over IP and 3G Development toolkits. The 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 also provides professional services to our customers, assisting them to integrate our technology into their products. RADVISION's TBU solutions include developer toolkits for SIP, MEGACO/H.248, MGCP, H.323, and 3G-324M. It also includes RADVISION's ProLab™ Test Management Suite and IP phone toolkit. Today you may find RADVISION toolkits implemented in a wide range of environments from chipsets to simple user devices like IP phones, and from integrated video systems through carrier class network devices like gateways, switches, soft switches and 3G multimedia gateways.

Our Strategy

Our goal is to be the leading provider of innovative products and technologies that enable real-time multimedia collaboration (voice, video and data) communication over packet networks. We provide solutions at every level – protocol developer toolkits, professional services, network infrastructure, and even integrated solutions that compliment the communication solutions of other vendors such as those from Cisco and Microsoft. We believe that the combination of offering IP-centric networking products and software toolkits uniquely positions us as a key enabling vendor in the evolution of IP communication. Both of our product lines are essential for building IP networks that support real time voice and video communication with full interoperability with legacy ISDN/PSTN networks and technologies. Key elements of our strategy include the following:

- *Maintain and Extend our Technology Leadership*. We believe that we have established ourselves as a technology leader in providing core-enabling technology for a broad range of IP and 3G communication products and services, such as our announcement in 2003 of support for SIP in our infrastructure products – one of the first in the industry to do so. We have accumulated extensive knowledge and expertise as designers and developers of commercial products and technology for real-time packet-based communication. We place considerable emphasis on research and development to expand the capabilities of our existing products, to develop new products and to improve our existing technology and capabilities. We believe that our future success will depend upon our ability to maintain our technological leadership, to enhance our existing products and to introduce on a timely basis new commercially viable products addressing the needs of our customers. We intend to continue to devote a significant portion of our personnel and financial resources to research and development.

- *Enable the Migration of Visual Communication from the conference room (videoconferencing) to the desk top, the home, and on the road over 3G (video telephony and multimedia communication).* We have been working with leading technology vendors such as Cisco and Microsoft as well as aggressively developing partnerships with broadband and wireless service providers to transform videoconferencing from a meeting room application to a new mode of personal communication.

- *Strengthen and Expand our Relationships with OEM Customers.* We have established and continue to maintain collaborative working relationships with many OEMs in the IP communication market, including Cisco, Samsung, Siemens, Sony and Tandberg. We work closely with our OEM customers to integrate our products and core technology into their solutions. Our core technology and our system design expertise enable us to assist these customers in the development of complete solutions that contain enhanced features and functionality compared to competitive alternatives. We strive to establish long-term relationships with our OEM customers by starting with a few products and subsequently expanding these relationships by increasing the number and range of products sold to these customers. We intend to expand the depth and breadth of our existing OEM relationships while initiating similar new relationships with leading OEMs focused on the IP communication market.

- *Become a Key Enabling Technology Solution for IP Communication*. We continue to strive to ensure that our infrastructure solutions are key enabling components in larger solution vendors' portfolios. To that end, in 2003, we announced that our viaIP multimedia communication platform supports multipoint and multidevice functionality within Microsoft's Office Live Communication Server 2003 platform for desktop communication. Additionally, RADVISION is the key enabling technology in a number of telecom equipment vendors' 3G communication platforms – enabling real-time multimedia services.

- *Continue to Offer New and Enhanced Products and Features*. We believe we have consistently been either first, or among the first, to market products that support real-time voice, video and data communication over packet networks. We were the first-to-market with IP gateways that provide combined voice, video and data functionality, first to market with software development kits for the development of H.323-compliant IP communication products and applications, and this year, the first to announce support for SIP (Session Initiation Protocol) in our infrastructure platform. We intend to utilize our technological expertise as a basis for market leadership by striving to be first-to-market with new and enhanced products and features that address the increasingly sophisticated needs of our customers and the evolving markets they serve. In addition, we believe that our participation in the drafting of industry standards gives us the ability to quickly identify emerging trends enabling us to develop new products and technologies that are at the forefront of technological evolution in the IP communication industry.

In 2003, our TBU expanded its product offering to include a new direction for our company with the first of our toolkits that not only provide protocol developer suites but actual reference designs. The first product is an IP Phone toolkit, which provides all the functionality and call control, as well as supporting multiple signaling protocols, that enables developers to more easily develop IP phones. Additionally, in 2003, we announced a number of upgrades to our toolkits to maintain our lead in supporting the latest versions of signaling standards. TBU also announced in 2003 that it had ported its developer solutions to a number of new emerging platforms including Linux and an embedded chip operating system. Finally, in 2003 we launched our Professional Services division, which features a team of highly skilled developers who are available to assist clients in developing products using RADVISION toolkits and protocol stacks. These introductions have helped us maintain our position as the premier, one-stop-shop for all voice and video technologies over IP and 3G. We also believe that they reinforce RADVISION's leadership position as a protocol toolkit technology expert.

In 2003, our NBU introduced a number of very significant new technologies and platforms for videoconferencing and multimedia communication. These introductions included an MCU version 3.2 (Multipoint Conferencing Unit) which broke ground in both price and performance as well as in its support of SIP and the new H.264 compression standard. We also introduced new versions of our INVISION platform for enterprise communication as well as new scheduling and network management tools. Finally, and perhaps most importantly, we announced full support of Microsoft's Live Communication architecture, a powerful new desktop communication architecture for converged voice, video, and data collaboration

We expect to continue to introduce new or enhanced products in 2004, including upgrades to our software toolkits and improvements to our videoconferencing and multimedia communication product lines that include added functionality. In addition, we plan to:

- *Deepen the Distribution Channels for our Products.* We intend to continue to focus our sales and marketing efforts on deepening the relationship with our distribution channels. Channel partners provide us feedback from their customers, the end-users of our products, which gives us valuable insight into evolving industry trends and customer requirements. OEMs, resellers and systems integrators are all important channel partners for our products. They provide us with increased market presence through their distributor relationships and existing customer base. In addition, endorsements by key channel partners strengthen our brand name awareness.

- *Leverage Service Provider Opportunities.* We are working closely with telecom equipment provides, 3G mobile carriers, and wireline service providers to enable multimedia communication in the home and on the road. We are seeing initial success and expect to continue to help grow that market – particularly in the 3G space where we are in several active trials globally.

- *Enable Desktop Conferencing and Communication Through Strategic Partners*. We will continue our efforts to maintain our position as a key enabling solution provider for major vendors' activities to drive visual communication beyond the meeting room and onto the desktop. We intend to strengthen our relationship with Microsoft and its sales channels. We also expect to leverage our close relationship with Cisco and what they are doing in enterprise video telephony by virtue of our AVVID certification announcement in early 2004.

- *Continue our Active Involvement in Shaping Industry Standards for IP Communication.* We actively participate in and contribute to the formulation of standards for IP communication. We intend to continue our active involvement in the organizations that define the standards for real-time communication over next generation packet networks. Our knowledge and expertise gained in participating in the development of these industry standards enable us to be among the first to market our products and technology based on new standards adopted. We are continually improving, enhancing and expanding our core competency in real time IP communication protocols including H.323, SIP, MGCP and MEGACO. Because of our involvement in defining these IP communication standards, we believe that we are well-positioned to quickly develop enhanced functionality and new products based on multiple protocols.

The following discussion of our business is separated into two sections: the first addresses our videoconferencing network infrastructure section, or NBU, and the second addresses our software developer toolkit business, or TBU. In each section we will provide an overview of our products, our competitive advantage, and industry trends that are beneficial to our business.

Networking Business Unit

NBU Products

RADVISION's award-winning multimedia communication and videoconferencing network infrastructure products provide both the platform and applications to enable advanced conferencing and collaboration functionality between any video-enabled device, such as a meeting room and desktop videoconferencing end point, with other telephony and videoconferencing systems. Regardless of the communication network used, from IP and SIP to ISDN and next generation 3G, institutions, enterprises, and service providers can use the RADVISION solution to create high quality, easy-to-use voice, video, and data communication and collaboration environments.

RADVISION's core infrastructure solution is viaIP, a customizable, scalable array of ports, management solutions, and custom functionality with which customers can design and quickly deploy a highly configured, highly scalable visual communication network ideal for each client's unique needs. With the viaIP product line the customer simply chooses the ideal port configuration, management solution and additional applications and the entire solution is delivered in an integrated chassis.

Within the viaIP product line we offer INVISION, a plug-and-play line of videoconferencing network appliances targeted at the enterprise. INVISION offers an off-the-shelf, completely pre-configured solution with all the functionality of a complete IP/ISDN videoconferencing infrastructure, from centralized management and multipoint conferencing to gateway services and value-added applications, in an integrated, easy-to-order and easy-to-install device.

To complement the viaIP product, we offer our iVIEW family of management applications for every videoconferencing need, including robust network management and intuitive conference scheduling.

The viaIP offers a customizable solution to layer video, voice, and data collaboration onto a customer's network. Key components of the solution include:

- Gateways - Provide videoconferencing interoperability between IP, circuit-switched ISDN and next generation 3G end points and networks.

- Gatekeepers - Control, manage, and monitor real-time voice, video and data traffic over the visual communication networks.

- Conferencing Bridges (or multipoint conferencing units/MCUs) - Enable voice or multimedia conferencing over packet and ISDN networks among three or more participants.

- Data Collaboration Servers - Enable conference participants to collaborate and share applications. Allow users to view diagrams, graphic presentations and slide lectures simultaneously with other videoconferencing participants. The DCS also makes possible text chats, whiteboard exchanges, and rapid file transfers during multipoint videoconferences of three or more participants.

See Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations for financial information relating to our NBU.

NBU Product Benefits

While our products thoroughly support ISDN, we believe that the principal competitive advantage of our family of solutions is our IP expertise. Our products are the leading visual communication infrastructure solutions in the industry today by virtue of our unmatched technological innovation in five key areas:

Native IP Routing. All competing solutions come from the legacy ISDN world, with an ISDN-based switching fabric (TDM backplane). This means that for an IP end point to IP end point session, every IP stream has to be translated to "ISDN" in order to be switched by the system, and then translated back to IP to be forwarded on. In contrast, we offer an IP backplane, meaning IP sessions are routed natively, with no translation. RADVISION solutions all perform flawlessly in supporting ISDN-only or hybrid IP/ISDN networks, providing an ideal platform as a network migrates from ISDN to IP while preserving the customer's earlier investment in legacy equipment.

Distributed Architecture. The capacity of the viaIP400 is unmatched in the industry. Because of its unique architecture, the viaIP system is not limited to a single chassis. As a result, a single MCU (multiconferencing unit) can support up to six gateway boards, achieving a capacity of up to 600 hundred simultaneous calls on the same chassis and limitless calls on a stacked multi-chassis system. Additionally, due to the system's IP architecture, the entire infrastructure does not need to be mounted in a single integrated rack but can be distributed throughout a network. By distributing intelligence throughout the network, the enterprise benefits with increased redundancy, network traffic optimization, resource management, and high scalability.

Full Protocol Support. In addition to supporting both ISDN and H.323, our solution also supports SIP and 3G-324M – two emerging protocols for desktop and mobile communication.

Specialized Network Architecture Provides Unparalleled Redundancy. RADVISION has taken advantage of advanced chipsets to put an entire voice and video processing matrix, with multiple chips, on a single board. Each board supports a portion of the total calls. The boards are wired in parallel over a shared backplane. In the event of a board failure, the system would shift ongoing calls to another board, thereby reducing the overall capacity of the device but not dropping any calls.

Advanced Chips Provide Superior Performance and Functionality at a Lower Cost. As an IP-centric platform with ISDN interworking, the RADVISION solution is able to take advantage of the advances in integrated IP multifunction chip technology. The system's on-board CPU is a PPC 400Mhz. We also use Texas Instrument's revolutionary C6x programmable 100Mhz chipset for call functionality.

IP Protocol Expertise. RADVISION is a leader in developing and delivering advanced voice and video protocols over IP networks, primarily H.323 and SIP. As a result, our solutions support the most recent versions of each of the signal protocols with the associated features they enable. Also, as most IP videoconferencing endpoints in the market use RADVISION protocol stacks, our solutions are completely interoperable with virtually every standards-based end point on the market today.

Specific Breakdown of Features and Functionality

- Greater port density for IP video and voice calls – The RADVISION platform supports 48 IP video calls at 384Kbps and 150 voice calls on a single MCU card.

- Powerful Price/Performance - RADVISION doubled the port capacity of 768 Kbps calls in its MCU without any associated increase in product list price. The new list price for a 768 Kbps call now starts at $1,354 per port – a new benchmark in the industry.

- Number of conferences - A conference with RADVISION is a logic entity. As such, there can be as many conferences as the number of calls to the MCU.

- Multiple layouts - RADVISION supports a maximum of 23 layouts.

- In addition to ISDN (H.320) and IP (H.323, SIP), RADVISION's platform also supports a wide variety of additional voice and video protocols, including MEGACO and 3G-324M (for 3G wireless videoconferencing).

VISUAL COMMUNICATION MARKET TRENDS

Evolution in the Way People Communicate. With the need for greater efficiency and the importance of accurate communication, companies are turning to new ways of communicating to enable remote parties to interact as if they were in the same room. Conference calls and e-mail usage have increased dramatically and Instant Messaging (IM) is being adopted increasingly in the enterprise and home. This trend to new forms of communication has also sparked enterprises to explore multimedia applications that provide advanced voice, video and data experiences to maximize information flow, whether in a group meeting or person to person.

Major Vendors Providing Video Telephony and Desktop Multimedia Communications. 2003 saw the entry of Microsoft into the desktop multimedia communications space with the launch of its Live Communications server and Windows Messenger. It also saw Cisco's acquisition of Latitude and its flagship product MeetingPlace. Both of these architectures are for personal (desktop) multimedia conferencing and communications. RADVISION – due to its unique IP-based architecture and support of standards such as SIP – is in a strong position to provide complementary solutions and/or capitalize on the strong marketing and solution trends that these two large companies, as well as others in the industry, including Nortel with its own desktop solution, are offering to the IT manager and CEO/CIO/CTO.

The Spread of Video Telephony Beyond the Enterprise and into the Home and on the Road. End users are beginning to use multimedia applications for their communication not only in the enterprise through meeting rooms and desktops, but also at home and on the road. RADVISION is experiencing this trend and is realizing sales from service providers as they are beginning to use our technology to deliver video telephony services to residential homes as just another broadband application like Internet access and video-on-demand. Additionally, 3G wireless providers are increasingly looking to deliver real-time multimedia content to their mobile subscribers. RADVISION is well suited to play a role in this market with its 3G-324M architecture and multimedia services support.

The Evolution from ISDN to IP. Traditional (legacy) videoconferencing systems are ISDN-based. This means expensive technology, a separate high-speed line into the office for video only, and a separation between video running over ISDN and data running over IP. However, IP-based videoconferencing recently has been gaining greater acceptance. As companies put voice over their IP networks (VoIP), they are also beginning to put video over their IP networks. RADVISION is the pioneer in videoconferencing over IP. Because its technology is sited in the core of the IP network, RADVISION's solutions enable network managers to leverage their installed high speed data networks, merge video with voice and data applications (running over the same IP connection) and centrally manage a host of video end points, from meeting room to desktop to PC based systems, and eventually to wireless video phones.

Technology Business Unit

RADVISION's TBU provides standards-based toolkits and testing systems for the development of real-time voice, video and data communication solutions over packet networks and 3G networks.

TBU Products

As a driving force behind evolving technologies of real-time IP communication, RADVISION is in the advantageous position of offering one of the most complete sets of Ensemble Development toolkits. RADVISION sells the core enabling technology for real-time IP and 3G-based communication in the form of software development kits. Communication equipment providers and developers seeking to create and market industry standard compliant IP telephony and multimedia products, systems and applications need core IP communication protocol software to develop their IP-centric solutions. The same holds true for developers of 3G-based multimedia solutions. Rather than dedicate in-house resources to developing this core technology, these providers seek to build upon RADVISION's proven enabling technologies.

RADVISION toolkits enable customers to focus on their core competencies and dramatically reduce the time to market of industry standard compliant IP communication products, systems and applications.

RADVISION SIP Development Toolkit

SIP is a relatively new signaling protocol for initiating, managing and terminating voice and video sessions across packet networks. SIP was designed, from conception, for building high performance user agents. The "SIP toolkit" enables the development of products that require full user/agent functionality. The SIP Toolkit is designed to provide high scalability and extensibility for both small and large-scale projects. It enables the implementation of all types of feature rich SIP entities such as application servers, softswitches, IP-PBXs, gateways and conferencing bridges. RADVISION has developed a SIP Server toolkit to target the specific needs of customers developing infra-structure devices based on the SIP protocol.

RADVISION H.323 Development Toolkit

H.323 is currently the most widely deployed standard for real-time IP communication. All components of an H.323-compliant network, including terminals, gateways, gatekeepers and conferencing bridges, use the H.323 protocol to communicate. RADVISION’s H.323 software development kits provide developers with the core software building blocks needed to develop H.323-compliant products, systems and applications. The RADVISION H.323 software development kit is an integrated set of software programs that execute the H.323 protocol and perform the functions necessary to establish and maintain real-time voice, video and data communication over packet-based networks. The RADVISION H.323 software development kits can be used to develop a broad spectrum of products, including gateways, gatekeepers, conferencing bridges, IP telephones and other H.323-compliant products.

RADVISION MGCP Development Toolkit

Media gateway control protocol, commonly referred to as MGCP, provides functions that complement H.323 and has been developed for large packet networks operated by telecommunication carriers and service providers that require gateways that can support a high number of calls. MGCP is the protocol by which a centralized gateway controller communicates with and controls the numerous gateways throughout a packet network and manages the network traffic through those gateways. MGCP has been adopted by large telecommunication companies and Internet service providers as well as by cable television companies building IP communication solutions over their networks. The RADVISION MGCP software development kit is used to build MGCP compliant media gateways controllers and media gateways.

RADVISION MEGACO Development Toolkit

MEGACO/H.248 is the official industry standard media gateway control protocol for large-scale IP-centric communication networks. Like MGCP, it is an internal protocol used between “intelligent” centralized gateway controllers and numerous “dumb” media gateways that handle voice and video media streams. The standard is the result of a unique collaborative effort between the IETF and ITU standards organizations. Derived from MGCP, MEGACO/H.248 offers several key enhancements including support for multimedia and conferencing calls, improved handling of protocol messages and a formal process for creating extensions to support advanced functionality. RADVISION's MEGACO/H.248 Toolkit includes a unique Media Device Manager to greatly simplify application development and reduce development time by eliminating the need for developers to write code for interpreting MEGACO/H.248 messages.

3G-324M Developer Toolkit

There is a newly approved standard, called 3G-324M, which supports the real-time streaming of multimedia broadband wireless communication over 3G by routing traffic over the circuit switched network. Because it is circuit-switched based, the standard is well suited for streaming real-time multimedia. 3G-324M enables the development, deployment and support of a wide variety of delay-sensitive applications immediately. These include multimedia conferencing with other 3G mobile end points and wire lined H.323 or SIP terminals, video streaming, cell phone TV, video-on-demand (news, sports, etc.), and multimedia, multi-participant gaming, to name a few. RADVISION was one of the first companies to introduce a toolkit for the development of 3G-324M-based products.

IP Phone Toolkit

RADVISION recently introduced a product for the manufacture of IP Phones. The toolkit bundles TBU toolkits along with call control and endpoint management software to provide an IP Phone application for any IP protocol (such as H.323 and SIP). RADVISION is working with key silicon manufacturers in the industry, including Texas Instruments, to provide pre-integrated packages including the IP Phone Toolkit running on the OEM’s chipset platform.

RADVISION ProLab Test Manager

RADVISION’s ProLab is designed for debugging and simulating numerous testing scenarios. Based on RADVISION’s award-winning SIP and H.323 Protocol Toolkit, this testing tool simulates a full VoIP network with a professional quality assurance laboratory, enabling developers or QA specialists to test SIP and H.323 version compliance, version upgrade compliance, stress and load. The ProLab™ Test Manager is a highly scalable tool designed to be aware of any changes to the SIP and H.323 standards. It provides the:

- capability to run the same tests on the application each time the underlying protocol version is upgraded;
- flexibility to mix and match scenarios to develop a broad range of testing possibilities; and
- ability to define numerous scripts and scale up the test scenario by linking them as the test plan progresses.

See Item 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operations for financial information relating to our TBU business.

Professional Services

Responding to requests from customers for assistance in developing specialized telecommunications products based on the RADVISION developer toolkit and reference design solution RADVISION initiated its Professional Services Division. This division offers a full range of consulting, engineering and software development services to support our customers in bringing innovative voice and video products to market on time using the RADVISION ENSEMBLE suite of developer toolkits and RADVISION's protocol and development expertise. Our Professional Services team handles the complete project life-cycle from design, throughout the product development, and even on-site deployment.

TBU Product Benefits

Market Leading Technology for Standards - Based Real-time IP Communication. We were one of the original five members of the ITU-T committee responsible for defining the H.323 standard, which has been adopted worldwide for real-time packet-based communication. We believe our technology is recognized as the market-leading implementation of the H.323 industry standard for real-time voice, video and data communication over packet networks. We also believe that our technology is recognized as one of the market-leading implementations of the Session Initiation Protocol, or SIP, and other protocols such as MGCP and MEGACO/ H.248. We have been actively involved in the development of protocols for real-time communication since the inception of the industry in 1994 and believe that we were the first-to-market with enabling products and technology for voice, video and data communication over IP networks. We continue to be actively involved in the specification of evolving IP communication protocols and offer a complete suite of IP communication software toolkits to developers of IP-centric products, applications and services. We believe that our technology has become the technology of choice among developers of standards-compliant IP communication systems. Because we believe we were first to market and have achieved broad market penetration, our customers benefit from our ability to develop and provide them market-tested, proven products and technology. Using our products and technology, our customers can develop unique capabilities with increased functionality that will differentiate their IP communication solutions in the market. We believe that the accumulated knowledge that we have gained participating in the development of industry standards provides us with a competitive advantage, and positions us to be among the first to market products and technology based on the latest technological advances.

Interoperability. We provide our customers with products and technology that are interoperable across a broad range of IP communication systems. Our products and technology have been integrated into IP communication systems developed by hundreds of communication equipment providers. Because our products and technology are broadly deployed across various segments of the IP communication industry, we believe that the interoperability of our products and technology with products from different vendors is virtually assured. We believe that our long-standing involvement in the definition of standards and accumulated experience with product development across our broad customer base provides us with a competitive advantage in addressing interoperability needs. We continue to participate actively in defining industry standards by working closely with industry consortia on a broad spectrum of IP communication protocols to ensure continued interoperability of our products and technology across multiple protocols.

Real-time Voice, Video and Data Communication Functionality. We are one of the few companies that offer IP communication products which support both voice-only, as well as combined voice, video and data communication. We believe that this dual functionality is attractive to enterprises and service providers that seek a flexible IP communication solution, which can provide enhanced multimedia functionality in addition to IP telephony capabilities. We believe our products enable developers of IP communication solutions to offer features and functions generally unavailable in competitive solutions.

Improved Time to Market. Our customers rely on our accumulated expertise with communication standards and core technology to significantly reduce their development cycle and improve time to market. Communication equipment providers seeking to market standards-compliant systems for real-time voice and video communication over packet and 3G networks require standards-compliant building blocks to develop their products. Implementing standards as deployable products and technology is a complex task that requires significant technical knowledge and expertise as well as substantial investments of time and resources. Our products and technology enable our customers to shorten their own development time by integrating our proven enabling products and technology into their solutions. Rather than dedicate in-house resources to implementing industry standards, these developers can use our products and technology and focus their core competencies on building enhanced systems, products and applications.

Broad Range of Product Environments. Our products and technology provide our customers with flexibility to design individual products and applications or complete systems. Our customers can build a complete network solution for real-time IP communication using our full suite of products or integrate RADVISION products with their own products or other vendor products into their real-time IP communication solution. Similarly, our technology has been designed to enable the development of a broad range of products and applications, from those that can service single users, including hand held devices and residential IP phones, to multi-user products, like highly complex, powerful carrier class gateways. Taken together, our products and technology provide all of the key network components necessary to build a real-time IP communication solutions.

Industry Trends That Benefit RADVISION's Developer Toolkits:

Growth in Communication

In the 1990's communication networks experienced dramatic growth in traffic. After a decline in growth in the last three years due to what we perceive as an industry trend, we believe this growth will resume within a few years due to a number of factors, including:

- an increasing need for enterprises to expand their networks to enable them to send, access and receive information quickly, economically and globally;

- an increasing use of the Internet and other packet networks for communicating and engaging in commercial transactions;
- an increase in available bandwidth at declining prices; and
- the introduction of new voice, video and data communication services and applications.

Limitations of Traditional Networks

Traditionally, circuit-switched networks have been the principal medium for the transmission of communication. Circuit-switched technology dedicates a circuit with a fixed amount of bandwidth for the duration of the connection, regardless of a user's actual bandwidth usage. The growth in data communication traffic, particularly the growth in the number of Internet users, has placed significant strains on the capacity of traditional circuit-switched networks. Circuit-switched networks were initially deployed to handle only voice communication. These networks were not designed to handle data efficiently and cannot scale cost-effectively to accommodate the growth in data traffic. Moreover, circuit-switched networks were built based on proprietary, complex technologies, which have historically limited the entrance of new competitors and hindered the development and introduction of new services.

Advantages of Packet-based Networks

While circuit-switched networks were principally designed to handle analog voice traffic, packet-based networks were principally designed for transmitting digital information. Packet-based networks, including IP networks, transmit voice, video and data information in the form of small digital packages called packets. Voice, video and data packets are sent over a single network simultaneously and reassembled at the destination. Packet switching enables more efficient utilization of available network bandwidth than circuit-switching, allowing more calls to travel through a packet network at the same time. Moreover, packet networks allow for the cost-efficient expansion of capacity as communication traffic increases. In addition, packet networks are built using open standards, like IP, which promote competition by allowing different vendors to build products and applications that can interoperate with one another. By using packet technologies based on open standards, new services can be deployed rapidly and economically.

The Need for Products that Deliver Industry Standards for Real-time IP Communication

Originally, enterprises and communication service providers deployed packet networks primarily for handling data traffic and not for real-time IP communication. Technical barriers initially hampered the use of packet networks for real-time communication. For example, packet networks were not designed to guarantee the sequential delivery of packets and packets could be lost. In addition, the time of delivery of packets was dependent upon the amount of packet traffic being transmitted over the network. For real-time communication, it is critical that the packets associated with a specific voice or video communication be transmitted in the correct sequence and in a timely manner. Early attempts at real-time IP communication solved these technical problems by using proprietary solutions developed by individual vendors. However, proprietary solutions from different vendors meant that different vendor products could not interoperate with one another.

To enable the global deployment of real-time IP communication networks, industry standards and protocols were developed to promote interoperability of real-time communication over packet networks. H.323 is currently the most widely deployed protocol for real-time IP communication. H.323 was developed by a team of computing, telephony and networking experts under the auspices of the International Telecommunication Union, or ITU-T, a United Nations organization, with the goal of specifying a universal real-time standard that would ensure interoperability of rich-media communication on packet-based networks. H.323 provides the technical framework for developing standards-compliant products and systems for real-time voice and video communication over packet networks. All components of an H.323 compliant network, including terminals, gateways, gatekeepers and conferencing bridges, use the H.323 protocol to communicate.

Additionally, many companies are beginning to develop SIP-based products. RADVISION is one of the leading vendors in this space, providing solutions for the development of SIP phones and devices, SIP servers and registrars, IP-PBX's and a wide variety of other SIP-based communication devices.

Our leadership position stems from the pioneering work we began in 1993. We were the first to develop and demonstrate commercially viable technology for establishing real-time voice, video, and data on IP networks. Since our inception, we have been helping to develop the industry standards that are driving the emergence and growth of the use of packet networks for real-time communication. RADVISION was an original member of the ITU (International Telecommunication Union) team that defined the H.323 standard, and we continue to work closely with the ITU, the IETF, IMTC, and other industry consortia to define a broad spectrum of IP telephony protocols for voice and video communication including, Session Initiation Protocol (SIP), Media Gateway Control Protocol (MGCP) and MEGACO/H.248.

Our protocol toolkits provide the underpinning technology required for the rapid development of next generation products and applications for real-time VoIP. Industry giants and emerging technology companies use our family of IP communication protocol toolkits to reduce their time to market for developing interoperable, standards-compliant V^2oIP products, applications and services. Today you will find RADVISION protocols implemented in a wide range of environments from chipsets to simple user devices like IP phones and video systems through carrier class network devices like gateways, switches and softswitches.

Growth in Real-time Voice and Video IP Communication

Due to the inherent benefits of packet networks and the advent of new technologies and standards that have enabled real-time communication over these networks, the use of packet networks for real-time voice, video and data communication is expected to grow dramatically. This anticipated growth in real-time IP communication is expected to be driven primarily by enterprises and communication service providers migrating to packet networks. As enterprises move from centralized organizations to distributed networks of employees, customers, suppliers and business partners, they require more effective communication capabilities to support their operations and remain competitive in a global and rapidly changing market. Packet networks are well suited for enterprises because they provide enterprises with the following advantages:

- cost-effective increases in capacity to meet increasing communication traffic demands;
- support for new communication applications, like video conferencing and data collaboration, for improved workforce productivity;
- interoperability with different network configurations of their customers, suppliers and partners; and
- cost savings associated with simplified network management resulting from creating a single network that handles all communication, rather than having to maintain separate telephone and computer networks.

Communication service providers have also begun to deploy packet networks in an effort to compete more effectively in a deregulated market. Global deregulation and rapid technological advances have resulted in the emergence of many new communication service providers, increased competition among traditional telecommunication carriers, lower prices, innovative new product and service offerings and accelerated customer turnover. To remain competitive, communication service providers must be able to develop and introduce new services to differentiate themselves in the market and attract and maintain customers. Packet networks are well suited to accomplish these objectives because they enable the rapid deployment of new and differentiated solutions. In addition, packet-based technology allows new competitors to enter the market quickly without substantial investment in infrastructure.

Broadband Wireless

There has been a tremendous rush to acquire and roll out 3G broadband wireless services in key markets. While these efforts have slowed significantly in North America, Asia has already rolled out its first WCDMA network and Europe is close behind.

Both 3G standards bodies, 3GPP and 3GPP2, envision 3G as running entirely over an IP-based communication network (the Internet). However, the prevailing business environment has pushed this vision out by quite a few years. The current telecom downturn may further extend the length of time until 3G is entirely IP-based.

The main problem is that today's IP network (the Internet) is not sufficiently robust for delay sensitive applications and, in fact, will not be so until service providers move to IPv6 and SIP-based IP communication. IP, with its variant transmission delays (many hops routing and congestion effects) and packet overheads, is ill equipped at this time to provide high quality, real time multimedia delivery over 3G (WCDMA and CDMA2000) networks.

While the vision of a true IP-based 3G network has been delayed, the promise of a feature-rich, multimedia wireless experience has not. This is due to the emergence of a standard, called 3G-324M, which addresses and supports the real-time streaming of multimedia broadband wireless communication by routing traffic over the circuit switched network. Being circuit-switched based, the standard has all the hallmarks of a protocol ideal for streaming real-time multimedia, including a fixed delay, low overhead of CODECS, and no IP/UDP/RTP header overheads.

3G-324M, based on ITU H.324M and specified in detail by 3GPP (3GPP TS 26.112 and 3GPP TS 26.111 Working Groups), enables the development, deployment and support of a wide variety of delay-sensitive applications immediately. Enabled applications include multimedia conferencing with other 3G mobile end points, and wire lined H.323 or SIP terminals, video streaming, cell phone TV, video-on-demand (news, sports, etc.) and multimedia, multi-participant gaming.

RADVISION has taken a pioneering role in providing 3G-324 developer toolkits that enable equipment developers to develop products, ranging from 3G handsets to gateways and media servers, that will deliver real time multimedia services over 3G.

Products and Technology Under Development

We intend to capitalize upon our technological leadership in real-time IP communication and visual communication network appliance and functionality to develop new products and technology that meet the evolving needs of the IP, 3G, and visual communication market. Our future product and technology offerings are expected to include platforms and tools needed for creating value-added IP-centric enhanced services.

Customers

We sell our NBU products to OEMs, systems integrators and value added resellers, or VARs. Our OEM customers purchase our products to integrate with products that they developed in-house to build complete IP communication solutions. Our systems integrator customers either purchase our full suite of products or integrate our individual products with products of other manufacturers to build complete IP communication solutions. Our VAR customers purchase our products to resell to end-users as separate units, or as part of a family of related product offerings, either under our RADVISION label or under their private label.

We sell our TBU products in the form of software development kits directly to developers of IP communication products, systems and applications for developing their own IP communication solutions based on our core enabling technology.

The following is a representative list of our customers who purchased more than $250,000 of our products or technology during the year 2003:

Networking Products

ADL	NTT – ME Corp.
Aethera Ltd.	Macnica
Alcatel Ltd.	Orient
Broadreach	ReView Video
Cisco Systems	Shanghai Foreign
Computer Assets	Shanghai New Long
Comverse Ltd.	Shanghai Zijiang
Control Tech	T2 Supply
Ericsson	Target Sales
GBH	Telesat
H.S. Digital	Teletron
HP	Tandberg
IT Telecom	VTEL Inc.
Kasturi	VCON Ltd.
MVC Mobile Video	Wire One

Technology Products

Cisco Systems	NTT – ME Corp
E-soft	Pannaway Tech
Iwatsu Nortel	Siemens Ltd.
Nortel	

Sales and Marketing

Sales organization. We market and sell our products through multiple channels in North and South America, Europe, the Middle East and the Far East. Our networking products are sold to end-users principally through indirect channels by OEMs, system integrators and value added resellers. We market and sell our technology products, primarily in the form of software development kits, directly to developers of IP and 3G communication products and applications. In several countries in the Far East we sell our software development kits indirectly through local sales representatives.

We currently have sales offices in the United States in New Jersey, California, Maryland and Texas. We also have sales offices in Tel Aviv, Israel, and marketing or representative/liaison offices in Hong Kong, China, the United Kingdom, Brazil, Japan and India. The geographic breakdown of our total sales for the year ended December 31, 2003 was 47.6% in North America, 27.7% in Europe and the Middle East and 24.7% in the Far East.

We have dedicated sales teams to support our large strategic accounts as well as to identify potential strategic customers who would deploy our products on large scales and generate significant revenues for us.

Marketing organization. Our marketing organization develops strategies and implements programs to support the sale of our products and technology and to sustain and enhance our market position as an industry leader. Our current marketing efforts include various sales and channel support programs designed to drive sales, and marketing communication programs designed to increase industry visibility, including press/analyst tours, trade shows and events, speaking engagements and ongoing interaction with analysts and the media as well as targeted marketing programs. Additional programs include technical seminars where customers and other industry participants are educated in real-time IP communication technology and the benefits of our products and technology. We also view our web site as an important marketing tool for lead generation, customer relations and to support our market position as the communication experts through quality content including providing information related to issues relevant to the communication industry, as well as important product and market trends.

To reinforce and further strengthen our market position as a technology leader in the field of real-time IP, 3G and visual communication, we actively participate in key industry consortia and standards bodies. We are also active in defining and reviewing evolving IP communication standards that are being developed by international standards bodies including:

- the ITU-T, which has published the H.323 and MEGACO standards;
- the Internet Engineering Task Force, or IETF, which has published the SIP and MEGACO standards;
- CableLabs, an organization of cable operators, which is currently working on defining the MGCP standard;
- IMTC, a global organization to promote interoperable multimedia communication solutions based on international standards; and
- We regularly participate in IMTC-sponsored InterOP events, a vendor-neutral forum where IMTC members test the interoperability of their products.

Customer Care and Support

Our ability to provide our customers with responsive and qualified customer care and support services globally is essential to attract and retain customers, build brand loyalty and maintain our leadership position in the market. We believe our customer care and support organizational structure enables us to provide superior technical support and customer service on a cost- and time-efficient basis.

We provide global customer care and support for our products and technology. Our customer care and technical support teams are located in Tel Aviv, Israel, Glen Rock, New Jersey, Sunnyvale, California, Hong Kong and China and recently went to a 24x7x365 support timeline to better serve our networking customers who desire the expanded service. We assist our networking customers with the initial installation, set-up and training. In addition, our technical support team trains and certifies our networking customers to provide local support in each of the geographical areas in which our products are sold. In 2003, we developed and rolled out a customer support model where service contracts are mandatory for each new customer.

In addition, customers who purchase our TBU software development kits generally request that we provide them with ongoing engineering and technical support services to integrate our technology into their products, although these services are not essential for the use of our software development kits. Our standard software development kit contract provides for one year of support services, renewable annually at the customer's option. Customers who have contracted for support services receive all relevant software updates and enhancements as well as access to our customer care and technical support teams.

Additionally, in 2003, we launched our Professional Services Division, which provides development expertise to our TBU customers that might require not only our developer solutions/toolkits but also our deep protocol experience and development skill. In this case we work hand-in-hand with the customer throughout the entire process, providing a full range of consulting, engineering and software development services to support our customers in bringing innovative voice and video products to market on time using the RADVISION ENSEMBLE suite of developer toolkits and RADVISION’s protocol and development expertise. The Professional Services team handles the complete project life-cycle from design, throughout the product development, and even on-site deployment

Intellectual Property

We rely on copyright, trademark and trade secret laws, confidentiality agreements and other contractual arrangements with our customers, third-party distributors, employees and others to protect our intellectual property.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products and technology or obtain and use information that we regard as proprietary. Policing unauthorized use of our products and technology is difficult. In addition, the laws of some foreign countries in which we currently or may in the future sell products do not protect our proprietary rights to as great an extent as do the laws of the United States. Our means of protecting our proprietary rights may not be adequate and our competitors may independently develop similar technology, duplicate our products or design around our intellectual property.

We rely on certain technology that we license from third parties, including software that is integrated with internally developed software and used in our products to perform key functions. For example, we license T.120 data collaboration software from Data Connection Limited and voice compression technology from Siemens. If we are unable to continue to license any of this software on commercially reasonable terms, we will face delays in releases of our products or will be required to reduce the functionality of our products until equivalent technology can be identified, licensed or developed, and integrated into our current products.

Research and Development

We place considerable emphasis on research and development to expand the capabilities of our existing products and technology, to develop new products and to improve our existing technologies and capabilities. We believe that our future success will depend upon our ability to maintain our technological leadership, to enhance our existing products and technology and to introduce on a timely basis new commercially viable products and technology addressing the needs of our customers. Our gross investment in research and development for the years ended

December 31, 2001, 2002 and 2003 was $17.9 million, $15.3 million and $14.6 million, respectively. We intend to continue to devote a significant portion of our personnel and financial resources to research and development. As part of our product development process, we seek to maintain close relationships with our customers to identify market needs and to define appropriate product specifications.

As of December 31, 2003, our research and development staff consisted of approximately 114 employees. Our research and development activities are conducted at our facilities in Tel Aviv, Israel. To introduce new, high quality products, we deploy procedures for the design, development and quality assurance of our new product developments. Our team is divided according to our existing product lines. Each product line team is headed by a team leader and includes software or hardware engineers and quality control technicians.

Competition

We compete in a new, rapidly evolving and highly competitive and fragmented market. We expect competition to intensify in the future. We believe that the main competitive factors in our market are time to market, product quality, features, cost, technological performance, scalability, compliance with industry standards and customer relationships.

The principal competitors in the market for our products and software development kits currently include:

Networking Products

- Polycom Networks, a division of Polycom Inc., which was formerly known as Accord Networks
- Tandberg
- CUseeMe Networks Inc. (formerly known as White Pine Software Inc., which merged with First Virtual Communication)

In the 3G market:

- Erickson
- Dylithium

Software development kits

- DynamicSoft Inc.
- Trillium Digital Systems, acquired by Continuous Computing.
- Hughes Software Systems
- DCL
- Dylithium
- In-house developers employed by manufacturers of telecommunication equipment and systems

Additional competitors may enter any of our markets at any time.

Both Vovida Networks (now part of Cisco Systems, Inc.) and OpenH323 offer H.323 source code for free. In addition, Vovida offers MGCP and SIP source code for free. If our customers choose to use the free source code offered by these organizations instead of purchasing our technology, our revenues from the sale of our software development kits will decline.

Manufacturing

Our manufacturing operations consist of materials planning and procurement, out-sourcing of sub-assemblies, final assembly, product assurance testing, quality control and packaging and shipping. We assemble our products in a subcontractor's facilities in Israel and test our products at our facilities in Tel Aviv, Israel. We test our products both during and after the assembly process using internally developed product assurance testing procedures. We have a flexible assembly process that enables us to configure our products at the final assembly stage for customers who require that our products be modified to bear their private label. This flexibility is designed to reduce our assembly cycle time and reduce our need to maintain a large inventory of finished goods. We use an enterprise resource planning, or ERP, system that we purchased from BAAN Systems that we modified to our specific needs. This system allows us to use just in time procurement and manufacturing procedures. We believe that the efficiency of our assembly process to date is largely due to our product architecture and our commitment to assembly process design. We manufacture our software development kits on CD-ROMs and package and ship them accompanied by relevant documentation.

As part of our commitment to quality, we have been certified as an ISO 9002 supplier. The ISO 9002 standard defines the procedures required for the manufacture of products with predictable and stable performance and quality. We are continuously trying to improve our quality based on the guidelines dictated by the ISO 9002 standard.

Employees

As of December 31, 2003, we had 258 employees worldwide, of whom 114 were employed in research and development, 94 in sales and marketing, 30 in management and administration and 20 in operations. We have standard employment agreements with all of our employees located in Israel. Of our employees, 180 are based in Israel, 52 are based in the United States, 19 are based in Hong Kong and China and 7 are based in the United Kingdom.

Our relationships with our employees in Israel are governed by Israeli labor legislation and regulations, extension orders of the Israeli Ministry of Labor and Welfare and personal employment agreements. Israeli labor laws and regulations are applicable to all of our employees in Israel. The laws concern various matters, including severance pay rights at termination, notice period for termination, retirement or death, length of workday and workweek, minimum wage, overtime payments and insurance for work-related accidents. We currently fund our ongoing legal severance pay obligations by paying monthly premiums for our employees' insurance policies.

In addition, Israeli law requires Israeli employees and employers to pay specified sums to the National Insurance Institute, which is similar to the United States Social Security Administration. Since January 1, 1995, such amounts also include payments for national health insurance. The payments to the National Insurance Institute that include health insurance fees are approximately 14.5% of wages, of which the employee contributes approximately 66.0% and the employer contributes approximately 34.0%. The majority of our permanent employees are covered by life and pension insurance policies providing customary benefits to employees, including retirement and severance benefits. We contribute 13.3% to 15.8%, depending on the employee, of base wages to such plans and the employee contributes 5.0%. RADVISION and its employees are not parties to any collective bargaining agreements. However, certain provisions of the collective bargaining agreements between the Histadrut, the General Federation of Labor in Israel, and the Coordination Bureau of Economic Organizations, including the Manufacturers' Association of Israel, are applicable to our employees by "extension orders" of the Israeli Ministry of Labor and Welfare. These provisions principally concern periodic cost of living adjustments, procedures for dismissing employees, travel allowances, recuperation pay and other conditions of employment.

At the start of their employment, our employees in North America generally sign offer letters specifying basic terms and conditions of employment as well as non-disclosure agreements. At the start of their employment, our employees in Israel generally sign written employment agreements that include confidentiality and non-compete provisions.

RISK FACTORS

Investing in our ordinary shares involves a high degree of risk and uncertainty. You should carefully consider the risks and uncertainties described below before investing in our ordinary shares. If any of the following risks actually occurs, our business, prospects, financial condition and results of operations could be harmed. In that case, the value of our ordinary shares could decline, and you could lose all or part of your investment.

Risks Relating to Our Business

Until 2001, we had a history of losses and we cannot assure you that we will continue to operate profitably in the future.

Although we operated profitably in 2003 we cannot assure you that we will continue to operate profitably in the future. We incurred significant losses in every fiscal year from our inception until 1999, and we incurred operating losses in 2000 and 2001. As of December 31, 2003, our accumulated deficit was $6.5 million.

Our quarterly financial performance is likely to vary significantly in the future. Our revenues and operating results in any quarter may not be indicative of our future performance and it may be difficult for investors to evaluate our prospects.

Our quarterly revenues and operating results have varied significantly in the past and are likely to continue to vary significantly in the future. Fluctuations in our quarterly financial performance may result from the fact that we may receive a small number of relatively large orders in any given quarter. Because these orders generate disproportionately large revenues, our revenues and the rate of growth of our revenues for that quarter may reach levels that may not be sustained in subsequent quarters. In addition, some of our products have lengthy sales cycles. For example, it typically takes from three to twelve months after we first begin discussions with a prospective customer before we receive an order from that customer. We also have a limited order backlog, which makes revenues in any quarter substantially dependent upon orders we deliver in that quarter. Because of these factors, our revenues and operating results in any quarter may not meet market expectations or be indicative of future performance and it may be difficult for investors to evaluate our prospects.

Unless our revenues grow in excess of our increasing expenses, we will not be profitable.

We expect that our operating expenses will increase significantly in the future, both to finance the planned expansion of our sales and marketing and research and development activities and to fund the anticipated growth in our revenues. However, our revenues may not grow apace or even continue at their current level. If our revenues do not increase as anticipated or if expenses increase at a greater pace than our revenues, we will not be profitable. Even if we achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis.

If the use of packet-based networks as a medium for real-time voice, video and data communication does not continue to grow, the demand for our products and technology will slow and our revenues will decline.

Our future success depends on the growth in the use of packet-based networks, including the Internet and other IP networks, as a medium for real-time voice, video and data communication. If the use of packet-based networks does not expand, the demand for our products and technology will slow and our revenues will decline. Market acceptance of packet-based networks as a viable alternative to circuit-switched networks for the transmission of real-time voice and video communication is not proven and may be inhibited by concerns about quality of service and potentially inadequate development of the necessary infrastructure.

We must develop new products and technology and enhancements to existing products and technology to remain competitive. If we fail to do so, we may lose market share to our competitors and our revenues may decline.

The market for our products and technology is characterized by rapid technological change, new and improved product introductions, changes in customer requirements and evolving industry standards. Our future success will depend to a substantial extent on our ability to:

- timely identify new market trends; and
- develop, introduce and support new and enhanced products and technology on a successful and timely basis.

If we fail to develop and deploy new products and technology or product and technology enhancements on a successful and timely basis, we may lose market share to our competitors and our revenues may decline.

We are currently developing new products and technology and enhancements to our existing products and technology. We may not be successful in developing or introducing these or any other new products or technology to the market.

We have invested, and will continue to invest, in products and technology that comply with those industry standards that we believe have been, or will be, broadly adopted. If one or more alternative standards were to gain greater acceptance than the standards that we believe have or will be broadly adopted, sales of our products and technology might suffer.

Currently, we offer networking products that comply with the H.323 industry standard for real-time voice, video and data communication over packet networks. During 2000, we expanded our enabling technology product family to include additional key IP protocols. Our current suite of IP communication protocol toolkits include H.323, SIP, MGCP, MEGACO and H.324M. We believe that IP networks will be designed with components built around each of these protocols. If these expectations ultimately prove to be incorrect, our investments may be of little or no value.

We rely on a small number of marketing partners who distribute our products either under our name or as private label products for a significant portion of our business.

We rely in great measure on OEMs, systems integrators and value added resellers, or VARs, to sell our products. Our OEM customers purchase our products to integrate with products that they developed in-house to build complete IP communication solutions. Our systems integrator customers either purchase our full suite of products or integrate our individual products of other manufacturers to build complete IP communication solutions. Our VAR customers purchase our products to resell to end-users as separate units, or as part of a family of related product offerings, either under our RADVISION label or under their private label. If we are unable to maintain these marketing partners or obtain new marketing partners, our future revenues and profitability will be affected and we may lose market share.

Competition in the markets for our products and technology is intense. We may not be able to compete effectively in these markets and we may lose market share to our competitors.

The markets for our products and technology are highly competitive and we expect competition to intensify in the future. We may not be able to compete effectively in these markets and we may lose market share to our competitors. The principal competitors in the market for our NBU products currently include Polycom Inc., which acquired Accord Networks Inc., First Virtual Communication, which merged with CUseeMe Networks Inc. (formerly known as White Pine Software Inc.). The principal competitors in the market for our TBU products currently include Hughes Software Systems, DynamicSoft, Dylithium, and in-house developers employed by manufacturers of telecommunication equipment and systems. Additional competitors may enter each of our markets at any time. Moreover, our customers may seek to develop internally the products that we currently sell to them and compete with us.

Major solutions providers who currently work with us might compete with us in the future.

We currently provide our technology to major solutions providers including Cisco, Siemens, Microsoft and Tanldberg. If these providers choose to develop their own technologies, acquire technologies from our competitors, or acquire such competitors, our financial condition and operating results could be adversely impacted and we may face increased levels of competition from these major companies.

Our software development kit revenues will decrease if our customers choose to use source code that is available for free.

Both Vovida Networks, Inc. (part of Cisco Systems Inc.) and OpenH323 offer H.323 source code for free. In addition, Vovida offers MGCP and SIP source code for free. If our customers choose to use the free source code offered by these organizations instead of purchasing our technology, our revenues from the sale of our software development kits will decline. Other companies, including Microsoft, may offer similar development kits as part of their product offerings.

Most of our competitors have greater resources than we do. This may limit our ability to compete effectively with them and discourage customers from purchasing our products and technology.

Most of our competitors have greater financial, personnel and other resources than we do, which may limit our ability to compete effectively with them. These competitors may be able to respond more quickly to new or emerging technologies or changes in customer requirements. These competitors may also:

- benefit from greater economies of scale;
- offer more aggressive pricing; or
- devote greater resources to the promotion of their products.

Any of these advantages may discourage customers from purchasing our products and technology. If we are unable to compete successfully against our existing or potential competitors, our revenues and margins will decline.

Our agreements with our customers generally do not have minimum purchase requirements. If our customers decrease or cease purchasing our products and technology, our revenues will decline.

Our agreements with our customers generally do not have minimum purchase requirements nor do they require our customers to purchase any products from us. If any or all of our customers cease to purchase or reduce their purchases of our products and technology at any time, our revenues will decline. We cannot assure you that our customers will not choose to independently develop for themselves, or purchase from others, products and technology similar to our products and technology. Moreover, if our customers do not successfully market and sell the systems and products into which they incorporate our products and technology, the demand of these customers for our products and technology will decline. Our customers' sales of systems and products containing our products and technology may be adversely affected by circumstances over which we have no control and over which our customers may have little, if any, control.

We are dependent upon a limited number of suppliers of key components. If these suppliers delay or discontinue manufacture of these components, we may experience delays in shipments, increased costs and cancellation of orders for our products.

We currently obtain key components used in the manufacture of our products from a single supplier or from a limited number of suppliers. We do not have long-term supply contracts with our suppliers. Any delays in delivery of or shortages in these components could interrupt and delay manufacturing of our products and result in the cancellation of orders for our products. In addition, these suppliers could discontinue the manufacture or supply of these components at any time. We may not be able to identify and integrate alternative sources of supply in a timely fashion or at all. Any transition to alternate suppliers may result in delays in shipment and increased expenses and may limit our ability to deliver products to our customers. Furthermore, if we are unable to identify an alternative source of supply, we would have to modify our products to use a substitute component, which may cause delays in shipments, increased design and manufacturing costs and increased prices for our products.

We intend to manufacture and maintain an inventory of customized products for some customers who will have no obligation to purchase these products. If these customers fail to purchase these products, our financial results may be harmed.

To satisfy the timing requirements of some of our larger customers, we intend to manufacture and maintain an inventory of some of our products that we will customize to the specifications of these customers. The size of this inventory will be based upon the purchasing history and forecasts of these customers, which we currently estimate to be approximately two months of sales to these customers. These customers will have no obligation to purchase the inventoried products at any time. If the customers for whom the inventoried products are manufactured do not purchase them, we may be required to modify the products for sale to others and we may be unable to find other purchasers. In either case, the value of the products may be materially diminished which may have a negative impact on our financial results.

Undetected errors may increase our costs and impair the market acceptance of our products and technology.

Our products and technology have occasionally contained, and may in the future contain, undetected errors when first introduced or when new versions are released. Our customers integrate our products and technology into systems and products that they develop themselves or acquire from other vendors. As a result, when problems occur in equipment or a system into which our products or technology have been incorporated, it may be difficult to identify the cause of the problem. Regardless of the source of these errors, we must divert the attention of our engineering personnel from our research and development efforts to address the errors. We cannot assure you that we will not incur warranty or repair costs, be subject to liability claims for damages related to product errors or experience delays as a result of these errors in the future. Any insurance policies that we may have, may not provide sufficient protection or coverage should a claim be asserted. Moreover, the occurrence of errors, whether caused by our products or technology or the products of another vendor, may result in significant customer relations problems and injury to our reputation and may impair the market acceptance of our products and technology.

We rely on third party technology licenses. If we are unable to continue to license this technology on reasonable terms, we may face delays in releases of our products and may be required to reduce the functionality of our products derived from this technology.

We rely on technology that we license from third parties, including software that is integrated with internally developed software and used in our products to perform key functions. For example, we license T.120 data collaboration software from Data Connection Limited and voice compression technology from Siemens. If we are unable to continue to license any of this software on commercially reasonable terms, we will face delays in releases of our products or will be required to reduce the functionality of our products until equivalent technology can be identified, licensed or developed, and integrated into our current products.

Third parties may infringe upon or misappropriate our intellectual property, which could impair our ability to compete effectively and negatively affect our profitability.

Our success depends upon the protection of our technology, trade secrets and trademarks. Our profitability could suffer if third parties infringe upon our intellectual property rights or misappropriate our technology and other assets or the intellectual property rights licensed from third parties. To protect our rights to our intellectual property, we rely on a combination of trade secret protection, trademark law, confidentiality agreements and other contractual arrangements. We rely on third parties to protect their intellectual property which is licensed to us, but we do not generally investigate to what extent such intellectual property is protected. The protective steps we have taken may be inadequate to deter infringement or misappropriation. We may be unable to detect the unauthorized use of our intellectual property or take appropriate steps to enforce our intellectual property rights. Policing unauthorized use of our products and technology is difficult. In addition, the laws of some foreign countries in which we currently or may in the future sell our products do not protect our proprietary rights to as great an extent as do the laws of the United States. Failure to adequately protect or to promptly detect unauthorized use of our intellectual property could devalue our proprietary content and impair our ability to compete effectively. Further, defending our intellectual property rights could result in the expenditure of significant financial and managerial resources, whether or not the defense is successful.

Our products may infringe on the intellectual property rights of others, which could increase our costs and negatively affect our profitability.

Third parties may assert against us infringement claims or claims that we have infringed a patent, copyright, trademark or other proprietary right belonging to them. For example, in 1998, Lucent alleged that some products manufactured by us infringed specified Lucent patents. See "Item 3. Legal Proceedings." Any infringement claim, even if not meritorious, could result in the expenditure of significant financial and managerial resources and could negatively affect our profitability.

We are dependent on our senior management. Any loss of the services of our senior management could negatively affect our business.

Our future success depends to a large extent on the continued services of our senior management and key personnel. We do not carry key-man life insurance for any of our senior management. Any loss of the services of members of our senior management or other key personnel could negatively affect our business.

Our failure to retain and attract personnel could harm our business, operations and product development efforts.

Our products require sophisticated research and development, marketing and sales, and technical customer support. Our success depends on our ability to attract, train and retain qualified research and development, marketing and sales and technical customer support personnel. We intend to increase substantially the number of our employees who perform these functions. Competition for personnel in all of these areas is intense and we may not be able to hire sufficient personnel to achieve our goals or support the anticipated growth in our business. The market for the highly-trained personnel we require is very competitive, due to the limited number of people available with the necessary technical skills and understanding of our products and technology. If we fail to attract and retain qualified personnel, our business, operations and product development efforts would suffer.

Our non-competition agreements with our employees may not be enforceable. If any of these employees leaves us and joins a competitor, our competitor could benefit from the expertise our former employee gained while working for us.

We currently have non-competition agreements with our key employees in Israel. These agreements prohibit those employees, if they cease to work for us, from directly competing with us or working for our competitors. Under current U.S. and Israeli law, we may not be able to enforce these non-competition agreements. If we are unable to enforce any of these agreements, our competitors that employ our former employees could benefit from the expertise our former employees gained while working for us. In addition, we do not have non-competition agreements with our employees outside of Israel.

Government regulation could delay or prevent product offerings, resulting in decreased revenues.

Our products are designed to operate with local telephone systems throughout the world and therefore must comply with the regulations of the Federal Communication Commission and other regulations affecting the transmission of voice, video and data over telecommunication and other media. Each time we introduce a new product, we are required to obtain regulatory approval in the countries in which it is offered. In addition, we must periodically obtain renewals of the regulatory approvals for the use of our products in countries where we have already obtained approval. We cannot assure you that regulatory approval for our current products will be renewed or that regulatory approval for future products will be obtained. If we do not obtain the necessary approvals and renewals, we may be required to delay the sales of our products in those countries until approval for use is granted or renewed. This could result in decreased revenues.

Risks Relating to Our Location in Israel

Conditions in Israel affect our operations and may limit our ability to produce and sell our products, which could decrease our revenues.

We are incorporated under the laws of Israel, and most of our offices and our production facilities are located in the State of Israel. As a result, the political, economic and military conditions in Israel directly influence us. Any major hostilities involving Israel or the interruption or curtailment of trade between Israel and its present trading partners could have a material adverse effect on our business, financial condition and results of operations. Since the establishment of the State of Israel in 1948, a state of hostility has existed, varying in degree and intensity, between Israel and the Arab countries in the region. While Israel has entered into peace agreements with both Egypt and Jordan and several other countries have announced their intentions to establish trade and other relations with Israel, Israel has not entered into any additional peace agreements with such countries or with Syria or Lebanon. Peace talks between Israel and the Palestinian Authority began in the early 1990s, but broke down in mid-2000. Attacks on Israel by Palestinian terrorists, and military responses by Israel, have accelerated considerably since late 2000. The continued hostilities between the Palestinian community and Israel and the failure to settle the conflict has had and continues to have a material adverse effect on the Israeli economy and may have a material adverse effect on our business and us. Further expansion of hostilities might require more widespread military reserve service by some of our employees, which may have a material adverse effect on our business. We cannot predict whether or when the peace process will resume, whether a full resolution of these problems will be achieved, the nature of any such resolution or the consequences that any of these factors may have on us.

The economic conditions in Israel have not been stable in recent years.

As a result of political instability, the increased level of hostilities with the Palestinian Authority and the world-wide economic crisis in the high-tech and communication industries, the Israeli rate of economic growth deteriorated in 2001 and 2002, the Israeli currency was devalued and the rate of inflation increased. The Israeli Government has proposed certain budgetary cuts and other changes. Although with the assistance of the U.S. Government economic stability was reached in 2003 and the rate of inflation was negative for the first time in 2003 since the establishment of the State, we cannot assure you that the Israeli Government will be successful in its attempts to stabilize the Israeli economy or to maintain Israel's current credit rating. Should Israel's credit rating decline, the ability of the Israeli government to generate foreign financial and economic assistance may be adversely affected. Economic decline as well as price and exchange rate instability may have a material adverse effect on us.

Some of our directors, officers and employees are obligated to perform annual military reserve duty in Israel. We cannot assess the potential impact of these obligations on our business.

Our directors, officers and employees who are male adult citizens and permanent residents of Israel under the age of 48 are, unless exempt, are obligated to perform annual military reserve duty and are subject to being called to active duty at any time under emergency circumstances. We cannot assess the full impact of these requirements on our workforce or business if conditions should change, and we cannot predict the effect on our business in the event of an expansion or reduction of these obligations.

Because most of our revenues are generated in U.S. dollars or are linked to the U.S. dollar while a portion of our expenses are incurred in new Israeli shekels, our results of operations would be adversely affected if inflation in Israel is not offset on a timely basis by a devaluation of the new Israeli shekel against the U.S. dollar.

Most of our revenues are in dollars or are linked to the dollar, while a portion of our expenses, principally salaries and the related personnel expenses, are in new Israeli shekels, or NIS. As a result, we are exposed to the risk that the rate of inflation in Israel will exceed the rate of devaluation of the NIS in relation to the dollar or that the timing of this devaluation lags behind inflation in Israel. This would have the effect of increasing the dollar cost of our operations. In 1999 and 2000 while the rate of inflation was low, there was a devaluation of the dollar against the NIS. In the years 2001 and 2002 the rate of devaluation of the NIS against the dollar exceeded the rate of inflation**.** In 2003 there was a devaluation of the dollar against the NIS. We cannot predict any future trends in the rate of inflation in Israel or the rate of devaluation of the NIS against the dollar. If the dollar cost of our operations in Israel increases, our dollar-measured results of operations will be adversely affected.

The tax benefits that we currently receive from our approved enterprise programs require us to satisfy specified conditions. If we fail to satisfy these conditions, we may be required to pay additional taxes and would likely be denied these benefits in the future.

The Investment Center of the Israeli Ministry of Industry and Trade has granted approved enterprise status to several investment programs at our manufacturing facility. The portion of our income derived from these approved enterprise programs commencing when we begin to generate net income from these programs will be exempt from tax for a period of two years and will be subject to a reduced tax rate for an additional five to eight years, depending on the percentage of our share capital held by non-Israelis. The benefits available to an approved enterprise program are dependent upon the fulfillment of conditions stipulated in applicable law and in the certificate of approval. If we fail to comply with these conditions, in whole or in part, we may be required to pay additional taxes during the period in which we would have benefited from the tax exemption or reduced tax rates and would likely be denied these benefits in the future.

It may be difficult to enforce a U.S. judgment against us and most of our officers and directors or to assert U.S. securities laws claims in Israel or serve process on most of our officers and directors.

We are incorporated in Israel. Many of our executive officers and directors are nonresidents of the United States, and a substantial portion of our assets and the assets of these persons are located outside the United States. Therefore, it may be difficult for an investor, or any other person or entity, to enforce a U.S. court judgment based upon the civil liability provisions of the U.S. federal securities laws in an Israeli court against us or any of those persons or to effect service of process upon these persons in the United States. Additionally, it may be difficult for an investor, or any other person or entity, to enforce civil liabilities under U.S. federal securities laws in original actions instituted in Israel.

Risks Relating to Our Ordinary Shares

Holders of our ordinary shares who are United States residents face income tax risks.

There is a risk that we will be classified as a passive foreign investment company, or PFIC. Our treatment as a PFIC could result in a reduction in the after-tax return to the holders of our ordinary shares and would likely cause a reduction in the value of such shares. For U.S. Federal income tax purposes, we will be classified as a PFIC for any taxable year in which either (i) 75% or more of our gross income is passive income, or (ii) at least 50% of the average value of all of our assets for the taxable year produce or are held for the production of passive income. For this purpose, passive income includes dividends, interest, royalties, rents, annuities and the excess of gains over losses from the disposition of assets that produce passive income. If we were determined to be a PFIC for U.S. federal income tax purposes, highly complex rules would apply to U.S. Holders owning ordinary shares. Accordingly, you are urged to consult your tax advisors regarding the application of such rules.

As a result of our substantial cash position, if the value of our stock declines, there is a substantial risk that we will be classified as a PFIC under the asset test described in the preceding paragraph. Based on an independent third party opinion, we believe that we were not deemed to be classified as a PFIC in 2002, and as a result of the increase in the value of our stock, we believe that we were not deemed to be classified as a PFIC in 2003. We have, however, no assurance that the U.S. Internal Revenue Services will accept this determination and there can be no assurance that we will not be classified as a PFIC in the future.

United States residents should carefully read "Item 10E. Additional Information – Taxation, United States Federal Income Tax Consequences" for a more complete discussion of the U.S. federal income tax risks related to owning and disposing of our ordinary shares.

Our share price has been volatile in the past and may decline in the future.

Our ordinary shares have experienced significant market price and volume fluctuations in the past and may experience significant market price and volume fluctuations in the future in response to factors such as the following, some of which are beyond our control:

- quarterly variations in our operating results;
- operating results that vary from the expectations of securities analysts and investors;
- changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors;
- announcements of technological innovations or new products by us or our competitors;
- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- changes in the status of our intellectual property rights;
- announcements by third parties of significant claims or proceedings against us;
- additions or departures of key personnel;
- future sales of our ordinary shares; and
- stock market price and volume fluctuations.

Domestic and international stock markets often experience extreme price and volume fluctuations. Market fluctuations, as well as general political and economic conditions, such as a recession or interest rate or currency rate fluctuations or political events or hostilities in or surrounding Israel, could adversely affect the market price of our ordinary shares.

In the past, securities class action litigation has been brought against a company following periods of volatility in the market price of its securities. We could potentially in the future be the target of similar litigation. Securities litigation could result in substantial costs and divert management's attention and resources.

Anti-takeover provisions could negatively impact our shareholders.

The new Israeli Companies Law provides that an acquisition of shares in a public company must be made by means of a tender offer if as a result of the acquisition the purchaser would become a 25% shareholder of the company. This rule does not apply if there is already another 25% shareholder of the company. Similarly, the Israeli Companies Law provides that an acquisition of shares in a public company must be made by means of a tender offer if as a result of the acquisition the purchaser would become a 45% shareholder of the company. There is an exception to this provision, if someone else is already a majority shareholder of the company. Regulations under the Companies Law provide that the Companies Law's tender offer rules do not apply to a company whose shares are publicly traded outside of Israel, if pursuant to the applicable foreign securities laws and stock exchange rules there is a restriction on the acquisition of any level of control of the company, or if the acquisition of any level of control of the company requires the purchaser to make a tender offer to the public shareholders.

Finally, Israeli tax law treats certain acquisitions, particularly stock-for-stock swaps between an Israeli company and a foreign company, less favorably than United States tax law. Israeli tax law may, for instance, subject a shareholder who exchanges his company shares for shares in a foreign corporation to immediate taxation.

Item 2. Properties

Our headquarters and principal administrative, finance, sales and marketing and promotion operations are located in approximately 60,079 square feet of leased office space in Tel Aviv, Israel at an approximate rental cost of $1,164,000 in 2003. The lease for our principal offices expires in June 2005. In the United States, we lease approximately 10,380 square feet of office space in Glen Rock, New Jersey expiring in July 2004 and approximately 3,156 square feet in Sunnyvale, California expiring in April 2004. We are in the final process of signing a lease expiring in September 2007 for a 11,605 square foot building in Fairlawn, New Jersey at a total annual rental of $191,499. We also lease approximately 2,651 square feet in Hong Kong expiring in May 2004 and approximately 800 square feet in the United Kingdom expiring in October 2005. The aggregate annual rent for our sales and service offices in the United States, Hong Kong, China and the United Kingdom was approximately $450,000 in 2003.

Item 3. Legal Proceedings

In January 2001, we entered into an agreement with Zohar Zisapel Properties Inc. and Yehuda Zisapel Properties Inc. (entities that are wholly owned by Zohar Zisapel, our Chairman of the Board and a principal shareholder, and Yehuda Zisapel, a principal shareholder and our former Chairman, respectively) to lease approximately 24,000 feet square of office space in

Paramus, New Jersey for a period of 5 years, which space we subsequently surrendered. The parties disagreed as to the extent of damages caused by this action, if any. In December 2003, the parties proceeded to binding arbitration before Judge Robert E. Tarleton (retired) in Hackensack, New Jersey. The claim filed against us was in the range of $1,500,000 and appropriate provision was taken for such amount. Judge Tarleton issued his final ruling on February 12, 2004 stating the amount owed to Zisapel Properties is $400,000. This ruling will not have a negative impact on our financial condition or results of operations.

Other than the above, we are not involved in any legal proceedings that are material to our business or financial condition. From time to time we receive requests from third parties to determine if we need to take out a license to certain technology for which such third party may hold a patent or other intellectual property right. We check such requests in the ordinary course of business.

In 1998, Lucent sent correspondence to our affiliate, RAD Data Communication Ltd., alleging that some products manufactured by RAD and some of its affiliates, including us, infringe upon specified Lucent patents and offering to license these patents to RAD and its affiliates. In subsequent correspondence, RAD requested that Lucent specifically substantiate each allegation of infringement before RAD or any of its affiliates considers entering into any licensing arrangements. RAD has recently received further correspondence from Lucent in which Lucent has reiterated its claims. RAD does not believe Lucent has substantiated its claims and has communicated this belief to Lucent. RAD advises us that the alleged infringement claims are unresolved.

The elements of our products that Lucent has alleged infringe upon its patents are contained within components which we obtain from a third party manufacturer. We believe that the third party manufacturer has a license to use these patents and that we may be entitled to the benefits of this license.

In addition, based on Lucent's fee and royalty schedule for licensing the relevant patents, we believe that any licensing fee and royalty payments that we may be required to pay for the right to use Lucent's patents would not have a material impact on our earnings. As a result, we do not believe that Lucent's allegations will have a material adverse effect upon us, our business, financial condition or liquidity.

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

No matters were submitted to a vote of securities holders during the fourth quarter of the fiscal year ended December 31, 2003.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Our ordinary shares have traded on the Nasdaq National Market under the symbol RVSN since our initial public offering on March 14, 2000. Since October 20, 2002, our ordinary shares have also traded on the Tel Aviv Stock Exchange.

The following table sets forth, for the periods indicated, the high and low sale prices of our ordinary shares as reported by the Nasdaq National Market and the Tel Aviv Stock Exchange:

	Nasdaq National Market		Tel Aviv Stock Exchange	
	High	Low	High	Low
2002				
First Quarter	$7.90	$5.39	$ --	$ --
Second Quarter..............	6.80	4.40	--	--
Third Quarter.................	5.45	4.05	--	--
Fourth Quarter..............	6.71	4.48	5.95	4.70
2003				
First Quarter	$7.70	$5.50	$7.16	$5.66
Second Quarter..............	7.20	5.05	7.17	5.30
Third Quarter.................	9.00	6.50	8.99	6.81
Fourth Quarter..............	13.26	7.81	12.97	7.99

As of March 8**,** 2004 we had approximately 2,523 beneficial shareholders including 50 holders of record.

We have never paid dividends on our ordinary shares since our inception and we do not anticipate paying any dividends in the foreseeable future. If we were able to distribute cash dividends out of income that had been exempt from tax because of our investment program's Approved Enterprise status (for description of such status please refer to the section entitled "Effective Corporate Tax Rate" in "Item 7. Management's Division and Analysis of Financial Conditions and Results of Operations") such income would become subject to Israeli corporate tax.

If we were to declare dividends in the future, we would declare those dividends in NIS but pay those dividends to our non-Israeli shareholders in U.S. dollars. Because exchange rates between NIS and the dollar fluctuate continuously, a U.S. shareholder would be subject to currency fluctuation between the date when the dividends were declared and the date the dividends were paid.

Exchange Controls

Israeli law and regulations do not impose any material foreign exchange restrictions on non-Israeli holders of our ordinary shares. In May 1998, a new "general permit" was issued under the Israeli Currency Control Law, 1978, which removed most of the restrictions that previously existed under such law, and enabled Israeli citizens to freely invest outside of Israel and freely convert Israeli currency into non-Israeli currencies.

Non-residents of Israel who purchase our ordinary shares will be able to convert dividends, if any, thereon, and any amounts payable upon our dissolution, liquidation or winding up, as well as the proceeds of any sale in Israel of our ordinary shares to an Israeli resident, into freely repatriable dollars, at the exchange rate prevailing at the time of conversion, provided that the Israeli income tax has been withheld (or paid) with respect to such amounts or an exemption has been obtained.

Dual Listing

In addition to trading on Nasdaq, on October 20, 2002, our ordinary shares began trading on the Tel Aviv Stock Exchange. According to a publication of the Israeli Tax Authorities, sales of securities of an industrial company, such as us, by individuals and companies to whom Chapter B of the Inflationary Law does not apply will continue to enjoy benefits of a lower Israeli capital gains tax after a dual listing.

Taxation of Non-Resident Holders of Shares

Non-residents of Israel are subject to income tax on income accrued or derived from sources in Israel. These sources of income include passive income, such as dividends, royalties and interest, as well as non-passive income from services provided in Israel. On distributions of dividends other than bonus shares or stock dividends, income tax is withheld at the source. Unless a different rate is provided in a treaty between Israel and the shareholder's country of residence, the withholding rate is as follows:

	Dividends not generated by an approved enterprise	
Dividends generated by an approved enterprise	U.S. company holding 10% or more of our shares	Other non-resident
15%	12.5%	25%

Under an amendment to the Inflationary Adjustments Law, non-Israeli corporations may be subject to Israeli taxes on the sale of publicly traded securities of an Israeli company, subject to the provisions of any applicable double taxation treaty.

Securities Authorized for Grant under Equity Compensation Plans

The following table sets forth, for the compensation plans indicated, the number of securities to be issued upon exercise of outstanding options, warrants and rights, the weighted average exercise price of outstanding options, warrants and rights and the number of securities remaining available for future issuance under our equity compensation plans as of December 31, 2003:

Compensation Plans*	Number of Securities to be issued upon exercise of outstanding options	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans**
1996 Stock Option Plan	864,096	$13.79	0
2000 Stock Option Plan	3,890,760	$6.69	50,098
Total	4,754,856	$7.98	50,098

* All our compensation plans were approved by our shareholders.
** Excluding securities reflected in the first column.

Changes in Securities and Use of Proceeds.

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

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

The following table sets forth the expenses incurred by us in connection with our public offering during the period commencing the effective date of the Registration Statement and ending December 31, 2003. None of such expenses were paid directly or indirectly to directors, officers, persons owning 10% or more of any class of equity securities of our company or to our affiliates.

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

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

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

Purpose	Direct or indirect payments to persons other than 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

Issuer Purchase of Equity Securities

The following table sets forth, for each of the months indicated, the total number of shares purchased by us or our behalf or any affiliated purchaser, the average price paid per share, the number of shares purchased as part of a publicly announced repurchase plan or program, the maximum number of shares or approximate dollar value that may yet be purchased under the plans or programs.

Period in 2003	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs
January	-	-	-	2,000,000
February	-	-	-	2,000,000
March	-	-	-	2,000,000
April	14,000	$5.55	14,000	1,986,000
May	-	-	-	1,986,000
June	-	-	-	1,986,000
July	-	-	-	1,986,000
August	-	-	-	1,986,000
September	-	-	-	1,986,000
October	-	-	-	1,986,000
November	-	-	-	1,986,000
December	-	-	-	1,986,000

Item 6. Selected Financial Data

The following selected consolidated financial data for and as of the five years ended December 31, 2003, are derived from our audited consolidated financial statements which have been prepared in accordance with U.S. GAAP. Our consolidated financial statements for the three years ended December 31, 2001 were audited by Luboshitz Kasierer, a member firm of Arthur Andersen, and our consolidated financial statements for the years ended December 31, 2002 and 2003 were audited by Kost Forer Gabbay & Kasierer (formerly Kost, Forer & Gabbay), a member of Ernst & Young Global, independent auditors whose report with respect to the years ended December 31, 2002 and 2003 appears in this Annual Report. A copy of the report issued by Luboshitz Kasierer for the year ended December 31, 2001 also appears in this Annual Report.

	Year Ended December 31,				
	1999	**2000**	**2001**	**2002**	**2003**
	(in thousands, except per share data)				
Consolidated Statement of Operations Data:					
Revenues...	$ 17,550	$ 45,911	$ 46,227	$ 49,095	$ 51,304
Cost of revenues	2,853	11,446	10,362	10,946	11,351
Gross profit..	14,697	34,465	35,865	38,149	39,953
Operating expenses:					
Research and development	7,667	14,263	17,933	15,338	14,573
Less participation by the Chief Scientist...	1,097	353	-	-	-
Research and development, net	6,570	13,910	17,933	15,338	14,573
Marketing and selling, net	9,502	17,358	16,735	18,624	19,969
General and administrative...................	1,426	3,458	4,438	4,098	4,040
Restructuring costs	-	-	3,023	-	-

	Year Ended December 31,				
	1999	2000	2001	2002	2003
	(in thousands, except per share data)				
Royalties to Chief Scientist	-	3,666	-	-	-
Total operating expenses	17,498	38,392	42,129	38,060	38,582
Operating income (loss)	(2,801)	(3,927)	(6,264)	89	1,371
Financial income, net	105	4,176	4,652	2,667	2,130
Net income (loss)	$ (2,696)	$ 249	$ (1,612)	$ 2,756	$ 3,501
Basic net earnings (loss) per ordinary share	$ (0.26)	$ 0.014	$ (0.09)	$ 0.15	$ 0.19
Weighted average number of ordinary shares	10,538	17,174	18,943	18,353	18,660
Diluted net earnings (loss) per ordinary share	$ (0.26)	$ 0.013	$ (0.09)	$ 0.15	$ 0.18
Weighted average number of ordinary shares	10,538	19,873	18,943	18,983	19,963

	As At December 31,				
	1999	2000	2001	2002	2003
	(in thousands)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 2,605	$ 41,617	$ 6,717	$ 13,825	$ 16,433
Working capital	814	73,660	53,377	38,158	43,350
Total assets	13,261	116,351	99,767	106,671	117,012
Total bank debt, less current maturities	67	19	-	-	-
Shareholders' equity	3,481	94,345	83,549	85,015	93,241

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Operating Results

The following discussion of our results of operations should be read together with our consolidated financial statements and the related notes, which appear elsewhere in this annual report. The following discussion contains forward-looking statements that reflect our current plans, estimates and beliefs and involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this annual report.

All of 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 operations as financial income or expenses as appropriate.

Overview

We are a leading designer, developer and supplier of products and technology that enable real-time voice, video and data communication 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. We currently have sales offices in the United States and Israel and marketing, representative and liaison offices in Brazil, China, Hong Kong, India, Japan and the United Kingdom.

Critical Accounting Estimates

We have identified the following policies as critical to the understanding of our financial statements. The preparation of our 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, warranty and revenue recognition. Actual results could differ materially from these estimates. Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States.

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

Revenue Recognition. We recognize revenues in respect of products when, among other things, we have delivered the goods being purchased and we believe collectibility to be reasonably assured. We do not grant a right of return to our customers. We perform ongoing credit evaluations of our customers' financial condition and we require collateral as deemed necessary. We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make payments. In judging the adequacy of the allowance for doubtful accounts, we consider multiple factors including the aging of our receivables, historical bad debt experience and the general economic environment. Management applies considerable judgment in assessing the realization of receivables, including assessing the probability of collection and the current creditworthiness of each customer. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Warranty Reserves. Upon shipment of products to our customers, we provide for the estimated cost to repair or replace products that may be returned under warranty. Our warranty period is typically 12 months from the date of shipment to the end user customer. For existing products, the reserve is estimated based on actual historical experience. For new products, the warranty reserve is based on historical experience of similar products until such time as sufficient historical data has been collected on the new product. Factors that may impact our warranty costs in the future include our reliance on our contract manufacturer to provide quality products and the fact that our products are complex and may contain undetected defects, errors or failures in either the hardware or the software. Warranty reserves amounted to $550,000 and $350,000 at December 31, 2003 and 2002, respectively.

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 Middle East and Far East. For the year ended December 31, 2003, approximately 46.2% of our revenues were generated in the United States.

Significant Costs and Expenses

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. Our revenues from the sale of our technology products have higher gross margins than our revenues from the sale of our networking products and we offer greater discounts to our high volume OEM customers. As the relative proportion of our revenues from our networking products increases as a percentage of our total revenues and we generate a higher percentage of our revenues from sales to our high volume OEM customers, our gross margins will decline.

Research and development expenses, net. 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 costs, net are charged to operations as incurred. Software development costs are considered for capitalization when technological feasibility is established according to SFAS No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed." Costs incurred after achievement of technological feasibility in the process of software production have not been material. Therefore, we have not capitalized any of our research and development expenses and do not anticipate that our development process will differ materially in the future.

Historically our research and development expenses were presented net of payments received from the Office of the Chief Scientist of Israeli Ministry of Industry and Trade, or the Chief Scientist. In 2000 we voluntarily repaid $3,666,000 in future royalty payments to the Chief Scientist and discontinued our relationship with the Chief Scientist in order to reduce certain restrictions on our business and to avoid paying increased interest rates in the future on royalty payments. We do not currently intend to apply for grants from the Chief Scientist in the future. However, we expect to continue to make substantial investments in research and development.

Marketing and selling expenses, net. 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, trade show exhibit expenses and royalties paid to the Government of Israel. Marketing and selling expenses until December 31, 1999 are presented net of marketing grants received from the Government of Israel. We do not intend to apply for any grants from the Government of Israel in the future.

General and administrative expenses. 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.

Operating expenses also include amortization of stock-based compensation, which is allocated among research and development expenses, marketing and selling expenses and general and administrative expenses based on the division in which the recipient of the option grant is employed. Amortization of stock-based compensation results from the granting of options to employees with exercise prices per share determined to be below the fair market value per share of our ordinary shares on the dates of grant. The stock-based compensation is being amortized to operating expenses over the vesting period of the individual options.

Financial income, net. Our financial income consists primarily of interest earned on bank deposits and other liquid investments, gains and losses from the re-measurement of monetary balance sheet items denominated in non-dollar currencies into dollars and interest expense incurred on outstanding debt.

Taxes. Israeli companies are generally subject to income tax at the corporate tax rate of 36%. However, several of our investment programs at our manufacturing facility in Tel Aviv have been granted approved enterprise status and, therefore, we are eligible for tax benefits. These benefits should result in income recognized by us being tax exempt or taxed at a lower rate for a specified period after we begin to report taxable income and exhaust any net operating loss carry-forwards. However, these benefits may not be applied to reduce the tax rate for any income derived by our U.S. subsidiary.

Results of Operations

The following discussion of our results of operations for the years ended December 31, 2001, 2002 and 2003, including the percentage data in the following table, is based upon our statements of operations contained in our financial statements for those periods, and the related notes, included in this annual report:

	Year Ended December 31,		
	2001	2002	2003
Revenues	100.0%	100.0%	100.0%
Cost of revenues	22.4	22.3	22.1
Gross profit	77.6	77.7	77.9
Operating expenses:			
Research and development	38.8	31.2	28.4
Marketing and selling, net	36.2	37.9	38.9
General and administrative	9.6	8.4	7.9
One time charge/repayment of future royalties	6.5	-	-
Total operating expenses	91.1	77.5	75.2
Operating profit (loss)	(13.5)	0.2	2.7
Financial income, net	10.1	5.4	4.1
Net income (loss)	(3.4)%	5.6%	6.8%

Year Ended December 31, 2003 as Compared with Year Ended December 31, 2002

Revenues. Revenues increased 4.5% from $49.1 million for the year ended December 31, 2002 to $51.3 million for the year ended December 31, 2003. This increase was due to increased sales of networking products. Revenues from networking products increased 4.7% from $36.3 million for the year ended December 31, 2002 to $38.1 million for the year ended December 31, 2003. The increase in revenue 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 increased 3.8% from $12.8 million for the year ended December 31, 2002 to $13.2 million for the year ended December 31, 2003. This slight increase in revenues from technology products was primarily attributable to approximately $900,000 in research and development services by our Professional Services Division, which we began to offer in the first quarter of 2003.

Revenue from sales to customers in the United States decreased from $24.1 million, or 49.0% of revenue, for the year ended December 31, 2002, to $23.7 million, or 46.2% of revenue, for the year ended December 31, 2003, a decrease of $400,000, or 1.7%. Revenue from sales to customers in Europe decreased from $12.0 million, or 24.5% of revenue, for the year ended December 31, 2002, to $11.2 million, or 21.8% of revenue, for the year ended December 31, 2003, a decrease of $800,000, or 6.7%. This decrease in sales to customers in Europe was primarily attributable to the ongoing softness in enterprise spending in Europe. Revenue from sales to customers in the Far East increased from $10.2 million, or 20.8% of revenue, for the year ended December 31, 2002, to $12.7 million, or 24.8% of revenue, for the year ended December 31, 2003, an increase of $2.5 million, or 24.5%. This increase in sales to customers in this region was primarily attributable to increased sales efforts for our networking products. Revenue from sales to customers in Israel increased from $2.3 million, or 4.6% of revenue, for the year ended December 31, 2002, to $3.0 million, or 5.8% of revenue, for the year ended December 31, 2003, an increase of $700,000, or 30.4%. This increase in sales to customers in Israel was primarily attributable to increased sales efforts for our networking products.

Cost of Revenues. Cost of revenues increased from $10.9 million for the year ended December 31, 2002 to $11.4 million for the year ended December 31, 2003, an increase of $500,000, or 4.6%. Gross profit as a percentage of revenues increased from 77.7% for the year ended December 31, 2002 to 77.9% for the year ended December 31, 2003.

Research and Development. Research and development expenses decreased from $15.3 million for the year ended December 31, 2002 to $14.6 million for the year ended December 31, 2003, a decrease of $700,000, or 4.6%. 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 31.2% for the year ended December 31, 2002 to 28.4% for the year ended December 31, 2003.

Marketing and Selling. Marketing and selling expenses increased from $18.6 million for the year ended December 31, 2002 to $20.0 million for the year ended December 31, 2003, an increase of $1.4 million, or 7.5%. We increased our marketing and selling expenses in response to current and expected continued improvement in the market for our networking products. Marketing and selling expenses as a percentage of revenues increased from 37.9% for the year ended December 31, 2002 to 38.9% for the year ended December 31, 2003.

General and Administrative. General and administrative expenses decreased from $4.1 million for the year ended December 31, 2002 to $4.0 million for the year ended December 31, 2003, a decrease of $100,000, or 2.4%. This decrease was primarily attributable to a decrease in personnel expenses. General and administrative expenses as a percentage of revenues decreased from 8.4% for the year ended December 31, 2002 to 7.9% for the year ended December 31, 2003.

Financial Income, Net. Financial income decreased from $2.7 million for the year ended December 31, 2002 to $2.1 million for the year ended December 31, 2003 principally as a result of lower interest rates.

Year Ended December 31, 2002 as Compared with Year Ended December 31, 2001

Revenues. Revenues increased from $46.2 million for the year ended December 31, 2001 to $49.1 million for the year ended December 31, 2002. This increase was due to increased sales of networking products. Revenues from networking products increased from $29.7 million for the year ended December 31, 2001 to $36.3 million for the year ended December 31, 2002. The increase in revenue 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, as well as from the sale of an integrated videoconferencing solution to FastWeb, a Milan-based service provider that provides bundled broadband voice, video and data services to consumers and businesses throughout Italy. Revenues from technology products decreased from

$16.5 million for the year ended December 31, 2001 to $12.8 million for the year ended December 31, 2002. This decrease in revenues from technology products was primarily attributable to decreased market demand as budgets for these products declined due to the worldwide economic downturn.

Revenue from sales to customers in the United States decreased from $28.3 million, or 61.3% of revenue, for the year ended December 31, 2001, to $24.1million, or 49.0% of revenue, for the year ended December 31, 2002, a decrease of $4.2 million, or 14.8%. Revenue from sales to customers in Europe increased from $8.1 million, or 17.5% of revenue, for the year ended December 31, 2001, to $12.1 million, or 24.5% of revenue, for the year ended December 31, 2002, an increase of $4.0 million, or 49.4%. This increase in sales to customers in Europe was primarily attributable to increased market demand for our products in this region and due to the FastWeb sale. Revenue from sales to customers in the Far East increased from $6.9 million, or 15.0% of revenue, for the year ended December 31, 2001, to $10.2 million, or 20.8% of revenue, for the year ended December 31, 2002, an increase of $3.3 million, or 47.8%. This increase in sales to customers in this region was primarily attributable to increased sales efforts for our networking products**.** Revenue from sales to customers in Israel increased from $1.9 million, or 4.2% of revenue, for the year ended December 31, 2001, to $2.3 million, or 4.6% of revenue, for the year ended December 31, 2002, an increase of $400,000, or 21.1%. This increase in sales to customers in Israel was primarily attributable to increased sales efforts for our networking products.

Cost of Revenues. Cost of revenues increased from $10.4 million for the year ended December 31, 2001 to $10.9 million for the year ended December 31, 2002, an increase of $500,000, or 4.8%. Gross profit as a percentage of revenues increased from 77.6% for the year ended December 31, 2001 to 77.7% for the year ended December 31, 2002.

Research and Development. Research and development expenses decreased from $17.9 million for the year ended December 31, 2001 to $15.3 million for the year ended December 31, 2002, a decrease of $2.6 million, or 14.5%. 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 38.8% for the year ended December 31, 2001 to 31.2% for the year ended December 31, 2002.

Marketing and Selling. Marketing and selling expenses increased from $16.7 million for the year ended December 31, 2001 to $18.6 million for the year ended December 31, 2002, an increase of $1.9 million, or 11.4%. We increased our sales and marketing expenses in response to current and expected continued improvement in the market for our networking products. Marketing and selling expenses as a percentage of revenues increased from 36.2% for the year ended December 31, 2001 to 37.9% for the year ended December 31, 2002.

General and Administrative. General and administrative expenses decreased from $4.4 million for the year ended December 31, 2001 to $4.1 million for the year ended December 31, 2002, a decrease of $300,000, or 6.8%. This decrease was primarily attributable to a decrease in personnel expenses. General and administrative expenses as a percentage of revenues decreased from 9.6% for the year ended December 31, 2001 to 8.4% for the year ended December 31, 2002.

Financial Income, Net. Financial income decreased from $4.7 million for the year ended December 31, 2001 to $2.7 million for the year ended December 31, 2002 principally as a result of lower interest rates.

Consolidated Balance Sheet Data

Trade Receivables. Trade receivables decreased from $9.5 million at December 31, 2002 to $8.7 million at December 31, 2003, a decrease of $800,000, or $8.4%. This decrease was primarily attributable to one-time event associated with the FastWeb deal in the fourth quarter of 2002 that was paid in the first quarter of 2003.

Allowance for Doubtful Accounts. Allowance for doubtful accounts increased from $1,593,000 at December 31, 2002 to $1,704,000 at December 31, 2003, an increase of $111,000, or 7.0% due to increased sales in the last two quarters of 2003 compared to revenues for the last two quarters of 2002. Allowance for doubtful accounts as a portion of trade receivables decreased from 14.4% as of December 31, 2002 to 16.4% as of December 31, 2003.

Other Receivables and Prepaid Expenses. Other receivables and prepaid expenses decreased from $2.8 million at December 31, 2002 to $2.7 million at December 31, 2003, a decrease of $100,000, or 3.6%.

Inventories. Inventories remained relatively constant at approximately $1.0 million at December 31, 2002 and December 31, 2003. Our management of inventory levels improved in 2003 as measured by our increased level of sales and the number of inventory days outstanding, which decreased from 29 days at December 31, 2002 to 26 days at December 31, 2003.

Trade Payables. Trade payables decreased from $ 3.3 million at December 31, 2002 to $1.3 million at December 31, 2003, a decrease of $2.0 million, or 60.6%, primarily due to the one time FastWeb deal that increased our trade payables and trade receivables balances at December 31, 2002 and were paid in 2003.

Other Payables, Accrued Expenses and Deferred Revenues. Other payables and accrued expenses increased from $15.2 million at December 31, 2002 to $19.1 million at December 31, 2003, an increase of $3.9 million, or 25.7%. This increase was primarily attributable to an increase of accruals relating to the purchase of material and an increase in deferred income related to technology sales that will be recognized in the future upon providing maintenance service.

Quarterly Results of Operations

The following tables present consolidated statements of operations data for each of the eight fiscal quarters ended December 31, 2003, in dollars and as a percentage of revenues. In management's opinion, this unaudited information has been prepared on the same basis as our audited consolidated financial statements and includes all adjustments, consisting only of normal recurring adjustments, necessary for fair presentation of the unaudited information for the quarters presented. The results of operations for any quarter are not necessarily indicative of results that we might achieve for any subsequent periods.

	Mar 31, 2002	June 30, 2002	Sept. 30, 2002	Dec. 31, 2002	Mar. 31, 2003	June 30, 2003	Sept. 30, 2003	Dec. 31, 2003
Revenues	$11,557	$11,707	$12,158	$13,673	$11,053	$11,605	$13,080	$15,566
Cost of revenues	(2,558)	(2,571)	(2,615)	(3,202)	(2,360)	(2,598)	(2,932)	(3,461)
Gross profit	8,999	9,136	9,543	10,471	8,693	9,007	10,148	12,105
Operating expenses:								
Research and development	4,041	3,870	3,815	3,612	3,564	3,596	3,693	3,720
Marketing and selling, net	4,469	4,587	4,642	4,926	4,732	4,853	5,023	5,361
General and administrative	969	1,073	1,071	985	948	976	1,020	1,096
Operating income	(480)	(394)	15	948	(551)	(418)	412	1,928
Financial income, net	752	686	634	595	566	560	500	504
Net income	$272	$292	$649	$ 1,543	15	142	912	2,432
As a percentage of revenues:								
Revenues	100%	100%	100%	100%	100%	100%	100%	100%
Cost of revenues	(22)	(22)	(22)	(23)	(21)	(22)	(22)	(22)
Gross profit	78	78	78	77	79	78	78	78
Operating expenses:								
Research and development	35	33	31	27	32	31	28	24
Marketing and selling, net	39	39	38	36	43	42	38	34
General and administrative	8	9	9	7	9	8	8	7
Operating income	(4)	(3)	-	7	(5)	(4)	3	12
Financial income, net	6	6	5	4	5	5	4	3
Net income	2%	3%	5%	11%	0%	1%	7%	16%

We expect our operating results to fluctuate significantly in the future as a result of various factors, many of which are outside our control. Consequently, we believe that period-to-period comparisons of our operating results may not necessarily be meaningful and, as a result, you should not rely on them as an indication of future performance.

Liquidity and Capital Resources

From our inception until our initial public offering in March 2000, we financed our operations through cash generated by operations and a combination of private placements of our share capital and borrowings under lines of credit. Through December 31, 1999, we raised a total of approximately $12.2 million in aggregate net proceeds in four private placements. In March 2000, we sold 4,370,000 of our ordinary shares in an initial public offering and 590,822 ordinary shares in a private placement to Samsung Venture Investment Corporation, a member of the Samsung group, and Siemens Aktiengesellschraft. We received net proceeds of $89.2 million from the public offering and private placement.

As of December 31, 2003, we had approximately $16.4 million in cash and cash equivalents, $35.0 million in short term investments and our working capital was approximately $43.4 million. Taking into account long-term liquid investments, we had $99.9 million in cash and liquid investments as of December 31, 2003.

Another financial measure that our management believes is important in assessing our company's financial condition is days sales outstanding, or DSOs. In 2003, we achieved significant success in reducing the number of DSOs from 64 days at December 31, 2002 to 43 days (well below our target of 55 days) at December 31, 2003.

Capital expenditures for the years ended December 31, 2001, 2002 and 2003 were approximately $2.0 million, $1.7 million and $1.3 million, respectively. These expenditures were principally for research and development equipment, motor vehicles, office furniture and equipment and leasehold improvements. We currently do not have significant capital spending or purchase commitments, but we expect to continue to engage in capital spending consistent with anticipated growth in our operations, infrastructure and personnel. Net cash provided by operating activities was approximately $7.5 million for the year ended December 31, 2003. This amount was primarily attributable to a net profit of $3.5 million, an increase of $3.2 million in deferred revenues, a decrease of $820,000 in trade receivables and an increase in depreciation of $1.9 million. These increases in cash provided by operating activities were offset in part by a decrease in trade payables of $2.1 million.

Net cash used in investing activities was approximately $9.6 million for the year ended December 31, 2003. For the year ended December 31, 2003, $75.3 million of cash provided by investing activities were from sales of bank deposits and marketable securities and $83.7 million were invested in long term investments. During the year ended December 31, 2003, $1.3 million of cash used in investing activities was for purchases of property and equipment.

On February 28, 2001, we announced that our board of directors authorized the repurchase of up to 10% of our outstanding shares in open market transactions at prevailing market prices. We completed the share repurchase program in the first fiscal quarter of 2002, having purchased 1,866,117 ordinary shares at a total cost of $11.8 million, or an average price of $6.30 per share.

On August 28, 2002, we announced that our board of directors authorized the repurchase of up to $10 million or 2 million of our ordinary shares in the open market from time to time at prevailing market prices. During April 2003, we started to repurchase our ordinary shares based on the instruction of our board of directors. As of December 31, 2003, we had purchased 14,000 ordinary shares at a total cost of $78,000, or an average price of $5.55 per share.

Net cash provided by financing activities was $4.6 million for the year ended December 31, 2003, as compared to $4.1 million in the year ended December 31, 2002. For both years, cash provided by financing activities was principally attributable to the issuance of ordinary shares and treasury stock for cash upon exercise of options.

As of December 31, 2003, our principal commitments consisted of obligations outstanding under operating leases. Our capital requirements are dependent on many factors, including market acceptance of our products and the allocation of resources to our research and development efforts, as well as our marketing and sales activities. In the last three years, we have experienced substantial increases in our expenditures as a result of the growth in our operations and personnel. We intend to increase our expenditures in the future consistent with our anticipated growth. We anticipate that our cash resources will be used primarily to fund our operating activities, as well as for capital expenditures.

As of December 31, 2003, we had an unused $2.5 million line of credit.

Effective Corporate Tax Rate

Israeli companies are generally subject to income tax at the corporate tax rate of 36%. However, several investment programs at our manufacturing facility in Tel Aviv have been granted approved enterprise status and we are, therefore, eligible for tax benefits under the Law for the Encouragement of Capital Investments, 1959. We have derived, and expect to continue to derive, a substantial portion of our income from the approved enterprise programs at our manufacturing facility.

Subject to compliance with applicable requirements, the portion of our income derived from the approved enterprise programs will be eligible for the following tax benefits commencing in the first year in which it generates taxable income:

Year after we begin generating taxable income	Tax benefit
1-2............................	Tax-exempt
3-7............................	Corporate tax of up to 25%
8-10..........................	Corporate tax of up to 25% if more than 25% of our shares are held by (per Israeli Tax Authorities' position – invested by) non-Israeli investors

The period of tax benefits for our approved enterprise programs has not yet commenced, because we have yet to realize taxable income. These benefits should result in income recognized by us being tax exempt or taxed at a lower rate for a specified period after we begin to report taxable income and exhaust any net operating loss carry-forwards. However, these benefits may not be applied to reduce the tax rate for any income derived by our U.S. subsidiary.

As of December 31, 2003, our net operating loss carry-forwards for Israeli tax purposes amounted to approximately $16.5 million. Under Israeli law, these net-operating losses may be carried forward indefinitely and offset against future taxable income. We expect that, during the period in which these tax losses are utilized, our income will be substantially tax-exempt. Therefore, there will be no tax benefit available from these losses and no deferred income taxes have been included in our financial statements. Deferred taxes for other temporary differences are immaterial.

As of December 31, 2003, the net operating loss carry-forwards of our U.S. subsidiary for U.S. tax purposes amounted to approximately $14.0 million. These losses are available to offset any future U.S. taxable income of our U.S. subsidiary and will expire in the years 2010 through 2022.

Impact of Inflation and Currency Fluctuations

The dollar cost of our operations is influenced by the extent to which any inflation in Israel is offset on a lagging basis, or is not offset by the devaluation of the NIS in relation to the dollar. When the rate of inflation in Israel exceeds the rate of devaluation of the NIS against the dollar, companies experience increases in the dollar cost of their operations in Israel. Unless offset by a devaluation of the NIS, inflation in Israel will have a negative effect on our profitability as we receive payment in dollars or dollar-linked NIS for all of our sales while we incur a portion of our expenses, principally salaries and related personnel expenses, in NIS.

The following table presents information about the rate of inflation in Israel, the rate of devaluation of the NIS against the U.S. dollar, and the rate of inflation of Israel adjusted for the devaluation:

Year ended December 31,	Israeli inflation rate %	Israeli devaluation rate %	Israeli inflation adjusted for devaluation %
1996	10.6	3.7	6.6
1997	7.0	8.8	(1.7)
1998	8.6	17.6	(7.7)
1999	1.3	(0.1)	1.3
2000	0.0	(2.7)	2.8
2001	1.4	9.3	(7.8)
2002	6.5	7.3	(0.7)
2003	(1.9)	(7.6)	6.1

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.

A devaluation of the NIS in relation to the dollar has the effect of reducing the dollar amount of any of our expenses or liabilities which are payable in NIS, unless these expenses or payables are linked to the dollar. This devaluation also has the effect of decreasing the dollar value of any asset which consists of NIS or receivables payable in NIS, unless the receivables are linked to the dollar. Conversely, any increase in the value of the NIS in relation to the dollar has the effect of increasing the dollar value of any unlinked NIS assets and the dollar amounts of any unlinked NIS liabilities and expenses.

Because exchange rates between the NIS and the dollar fluctuate continuously, with a historically declining trend in the value of the NIS, exchange rate fluctuations and especially larger periodic devaluations will have an impact on our profitability and period-to-period comparisons of our results. The effects of foreign currency re-measurements are reported in our consolidated financial statements in current operations.

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.

Tabular Disclosure of Contractual Obligations

The following table summarizes our minimum contractual obligations and commercial commitments, including obligations of discontinued operations, as of December 31, 2003 and the effect we expect them to have on our liquidity and cash flow in future periods.

Contractual Obligations	Payments due by Period				
	Total	less than 1 year	1-3 Years	3-5 Years	more than 5 years
Long-term debt obligations................	-	-	-	-	-
Capital (finance) lease obligations......	-	-	-	-	-
Operating lease obligations................	$2,657,000	$1,788,000	$869,000	-	-
Purchase obligations	-	-	-	-	-
Other long-term liabilities reflected on the Company's balance sheet under U.S. GAAP.....................................	-	-	-	-	-
Total...	$2,657,000	$1,788,000	$869,000	-	-

Research and development activities are vital for our continued success. In 2003, we expended $14.6 million for research and development and believe that our expenditures in 2004 will not change materially.

Item 7A. Qualitative and Qualitative Disclosures About Market Risk

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

Interest Rate Risk

As of December 31, 2003, we had cash and cash equivalents and short-term investments of $51.4 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 A2. 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 North America, 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.

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

Since the beginning of 2003, the NIS has revalued approximately 7.6% against the dollar. Among the factors contributing to the revaluation are the low interest rate for US$ investments compared to the higher interest rate for NIS investments. The revaluation has resulted in a deflation in Israel, which was approximately 1.9% for the year 2003 compared to an annual inflation rate of 6.5% for 2002.

Since most of our sales are quoted in $, 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.

During 2002 we entered into one foreign exchange contract. The foreign exchange contract was for 400,000 Euros and was closed in early 2003 at a slight loss.

Item 8. **Financial** Statement and Supplementary Data

See Index to Financial Statements on page F-1 for a list of the financial statements being filed therein.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

During the year 2003, we carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our company's disclosure controls and procedures pursuant to Rule 13a-14 of the Securities Exchange Act of 1934. Based upon that evaluation, our chief executive officer and chief financial officer concluded that our company's disclosure controls and procedures are effective in timely alerting them to material information relating to our company required to be included in our company's periodic SEC filings.

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

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

PART III

Item 10. Directors and Executive Officers of the Registrant

Our directors and executive officers are as follows:

Name	Age	Position
Zohar Zisapel	55	Chairman of the Board of Directors
Gad Tamari	59	Chief Executive Officer and Director
Yuval Bloch	50	Chief Operating Officer
Tsipi Kagan	38	Chief Financial Officer
Joseph Atsmon	55	Director
Liora Katzenstein	48	Director
Andreas Mattes	43	Director
Efraim Wachtel	59	Director

Zohar Zisapel, Gad Tamari, Andreas Mattes and Efraim Wachtel will serve as directors until our 2004 annual general meeting of shareholders. Liora Katzenstein is serving as outside director pursuant to the provisions of the Israeli Companies Law for her second three-year term ending December 2006, which cannot be renewed. Joseph Atsmon is serving for a three-year term as outside director pursuant to the provisions of the Israeli Companies Law ending June 2006. His term of service may be renewed for one additional three-year term

Zohar Zisapel has served as a director since November 1992, and as our Chairman of our Board of Directors until August 1999. He again assumed the position of Chairman in April 2001. During the last several years, Mr. Zisapel has been engaged mainly in management of high technology companies. Mr. Zisapel is a founder and a director of RAD Data Communication Ltd., of which he has served as president from January 1982 until 1999, and a director of other public companies including RADCOM Ltd., RIT Technologies Ltd., Ceragon Networks Ltd. and Verisity Ltd. Mr. Zisapel has a B.Sc. from the Technion, Israel Institute of Technology and M.Sc. degrees from Tel Aviv University.

Gad Tamari has served as our chief executive officer since April 2001. From November 1999 to April 2001, Mr. Tamari was the vice president, international operations of the OpenNet Softswitch organization of Lucent Technologies. Prior thereto and since 1996, Mr. Tamari was chief operating officer of Excel Switching Corporation responsible for international sales, operations, marketing and customer support. He also served for many years in senior management positions with a number of telecommunication companies. Mr. Tamari has a B.Sc. degree in mechanical engineering and a M.Sc. degree in industrial engineering from the Technion, Israel Institute of Technology and attended Harvard University’s Advanced Management Program.

Yuval Bloch has served as our Chief Operating Officer since February 2004 and is responsible for overseeing and managing the day-to-day operations of our group, including product development, sales, quality assurance, and product marketing. Mr. Bloch's primary responsibility is to provide a corporate-wide perspective to all company operations, making sure that there are efficiencies in decisions, directions, goals, and processes across the different groups and regions of our company. Mr. Bloch brings over twenty-five years of management experience in telecommunication to our company, having spent a majority of his career with Motorola including the period from March 1982 to June 2003. Mr. Bloch holds a Bachelor of Science in Electrical Engineering, Technion, Israel Institute of Technology and an MBA from the Recanati School of Business at the Tel-Aviv University.

Tsipi Kagan has served as our chief financial officer since August 1, 2003. Prior to joining us and since April 2000, Ms. Kagan, 38, was Chief Financial Officer for Phone-Or Ltd., a leader in advanced optical microphones and sensors. Previously and since September 1994, Ms. Kagan was Senior Manager for Ernst & Young in Israel and served as a Certified Public Accountant (CPA) for Miller, Kaplan, Arase & Co., an accounting firm in Los Angeles from February 1991 to August 1994. Ms. Kagan holds a B.A. degree in Accounting and Economics from Tel-Aviv University and is a licensed CPA in Israel.

Joseph Atsmon has served as an outside director since June, 2003 From July 2001 until November 2002, he served as Chairman of Discretix Ltd. He has served as a director of Nice Ltd. since July 2001 and Ceragon Networks Ltd. since July 2001. From 1995 until 2000, he served as chief executive officer of Teledata Communication Ltd., a public company acquired by ADC Telecommunication Inc. in 1998. From 1986 until 1995, Mr. Atsmon served in various positions at Tadiran Ltd., among them a division president and corporate vice president for Business Development. Mr. Atsmon received a B.Sc. in Electrical Engineering, summa cum laude, from the Technion, Israel Institute of Technology.

Liora Katzenstein has served as an outside director since December 2000. Prof. Liora Katzenstein specializes in Business Administration and Entrepreneurship. During the last five years she founded, and serves as the President of ISEMI - The Institute for the Study of Entrepreneurship and Management of Innovation. Prof. Katzenstein has also served as a Senior Lecturer in various academic institutions in Israel and abroad including the Harvard Business School, Nanyang University and the Technion, Israel Institute of Technology. Prof. Katzenstein currently serves as a director of RIT, Inc., Radward Inc., OTI Inc. and Palafric Investments Ltd. In the past she has served on the boards of Clal Industries & Investments Ltd., Discount Issuers Ltd., and Amanat Ltd. and holds various other academic and business related positions, including as a member of the Israeli Governmental Committee on Start-Up Companies. Over the last fifteen years Prof. Katzenstein served as a faculty member and on the management of universities and management institutes both in Israel and abroad and published numerous business articles in the Israeli professional press.

Andreas Mattes has served as a director since February 2000. Since April 1999, Mr. Mattes has been the president of enterprise networks of Siemens ICN. From October 1998 until April 1999, Mr. Mattes was the president of central sales of Siemens ICN. From June 1997 until October 1998, Mr. Mattes was the president of international sales of Siemens PN. From January 1996 until June 1997, Mr. Mattes was the vice president of product management of Siemens PN. From October 1985 until January 1996, Mr. Mattes held various sales, marketing and business administration positions at Siemens.

Efraim Wachtel has served as a director since March 1998. Mr. Wachtel has been president and chief executive officer of RAD Data Communication Ltd., or RAD since November 1997. From October 1985 to November 1997, Mr. Wachtel was vice president of sales and marketing of RAD. Before October 1985, Mr. Wachtel held various research and development positions in several companies in Israel and in the U.S. Mr. Wachtel has a B.Sc. degree in electrical engineering from the Technion, Israel Institute of Technology.

Other key managers are as follows:

Name	Age	Position
Meir Alon	42	Vice President Operations and Quality Management
Avinoam Barak	42	General Manager of the Networking Group
Killko Caballero	45	Senior Vice President of Enterprise Strategy
Eli Doron	51	Chief Technical Officer and Executive Vice President
Irit Machtey	48	Senior Vice President Organization & Human Resources
Boaz Raviv	44	General Manager of the Technology Group
Arnie Taragin	48	Corporate Vice President and General Counsel
Adit Tevel	48	Senior Vice President, Global NBU Sales

Meir Alon joined our company in December 2000 and since November 2003 has been responsible for all of our manufacturing, operations, and quality management, both on the corporate and regional levels. In this position he oversees all engineering, quality, production, purchasing, global customer support, validation/verification, and the company's IT and IS departments. Prior to joining our company and since 1993, Mr. Alon was employed by Israel Aircraft Industries, where he held senior positions in its quality and engineering departments. Mr. Alon holds a B.sc. degree (with honors) in electronic and computer engineering from Tel Aviv University and a master's degree (with honors) in reliability and quality assurance from Technion Israel Institute of Technology.

Avinoam Barak is responsible for all product development and research and development for RADVISION's line of conferencing and communication products since June 2000. Prior to joining RADVISION Mr. Barak was at MLM, a division of Israel Aircraft Industries for eleven years holding senior engineering positions. Mr. Barak holds a B.S. in computer engineering from the Technion, Israel Institute of Technology and an MBA in information systems and finance from Bar Ilan University.

Killko Caballero has been our senior vice president of enterprise strategy since November 2003. Based in our Sunnyvale, California office, Mr. Caballero leads our company's future product development and strategy for addressing the rapidly emerging desktop multimedia (video, voice, and data) conferencing and communication market. Prior to joining our company and since 1995, Mr. Caballero was the president and Chief Executive Office CTO, of both First Virtual Communication and CUseeMe, pioneers in the desktop voice, video and data conferencing over IP market.

Eli Doron, as co-founder, executive vice president and chief technology officer at RADVISION since October 1992, is responsible for leading the company's service provider initiatives, both wireless and wireline. Mr. Doron brings more than 24 years experience defining and designing video and communication systems to his current position. During his career, Mr. Doron was one of the original contributors to the H.323 protocol and also designed the first worldwide videoconference gateway between ISDN and IP, as well as the first videoconference-over-IP system that included call control, dialing plan, and protocols. Mr. Doron holds a master's degree in business administration from Bradford University, and a bachelor's degree in electronics and computer science from Ben-Gurion University.

Irit Machtey has been responsible for our organization & human resources department since July 31, 2002 when she joined our company as senior vice president of human resources. Prior to that and since April 2000, Ms. Machtey was a management and organizational consultant at My Time, a leading consultancy for high tech and communication companies in Israel. Prior to joining My Time and since 1986, Ms. Machtey held a series of senior level positions at Cellcom Ltd., Sapiens Intentional, and National Semiconductor. Ms. Machtey holds a bachelor's degree in behavioral science from the Ben-Gurion University and an M.B.A. in organizational behavioral from the School of Business Administration of Tel Aviv University.

Boaz Raviv has served as general manager of the technology group since December 2000. From December 1999 to December 2000, Mr. Raviv was the vice president of business development and marketing at Elron TeleSoft. From January 1996 to November 1999, he was telecom division manager at Elron Software. From July 1989 to December 1995, Mr. Raviv held various key positions at CAP GEMINI, France. Mr. Raviv served his apprenticeship at Robotic in CEMAGREF and he holds a bachelor's degree from the Technion, Israel Institute of Technology in Haifa.

Arnie Taragin joined our company in early 2003 as vice president and general counsel. Prior to joining us and since April 1999, Mr. Taragin was general counsel of Scitex Corporation, and when Scitex Corporation merged with Creo Inc., he became vice president and general counsel of CreoScitex Corporation Ltd. Prior thereto and since 1999 Mr. Taragin was employed by Israeli Aircraft Industries as an attorney. Before moving to Israel in 1992, Mr. Taragin practiced law in the United States, first as an associate and then in 1985 as a partner in a law firm, specializing in business law, international commerce and regulatory matters. Mr. Taragin graduated with honors from the Johns Hopkins University (1997) and the University of Maryland Law School (1980) where he received national awards for achievement.

Adit Tevel has been responsible for global sales and field marketing for our NBU products since May 1999. From January 1997 until September 1998, Ms. Tevel was the Vice President of Product Development for Mer Telenray Solution Ltd. Ms. Tevel has over 20 years of experience in the hi-tech industry in the spectrum of product development life cycle, including research and development product marketing, and sales. Ms. Tevel has a B.S. in Computer Science from the Technion Institute in Haifa, Israel and an M.B.A. from Tel Aviv University.

Election of Directors

Pursuant to our articles of association, all of our directors, other than our outside directors, are elected at our annual general meeting of shareholders by a vote of the holders of a majority of the voting power represented and voting at such meeting. Outside directors are elected for a three-year term. All the members of our Board of Directors, except the outside directors, may be reelected upon completion of their term of office. In the intervals between annual general meetings of the company, our Board of Directors may elect new directors, whether to fill vacancies or in addition to those of their body, but only if the total numbers of directors shall not at any time exceed any maximum number, if any, fixed by or in accordance with our articles of association. Five of our directors currently in office were elected by our shareholders at our 2002 annual general meeting of shareholders.

Independent and Outside Directors

The Israeli Companies Law requires Israeli companies with shares that have been offered to the public in or outside of Israel to appoint at least two outside directors. No person may be appointed as an outside director if the person or the person's relative, partner, employer or any entity under the person's control has or had, on or within the two years preceding the date of the person's appointment to serve as outside director, any affiliation with the company or any entity controlling, controlled by or under common control with the company. The term affiliation includes:

- an employment relationship;
- a business or professional relationship maintained on a regular basis;
- control; and
- service as an officer holder.

No person may serve as an outside director if the person's position or other activities create, or may create, a conflict of interest with the person's responsibilities as an outside director or may otherwise interfere with the person's ability to serve as an outside director. If, at the time outside directors are to be appointed, all current members of the Board of Directors are of the same gender, then at least one outside director must be of the other gender.

Outside directors are elected by shareholders. The shareholders voting in favor of their election must include at least one-third of the shares of the non-controlling shareholders of the company who are present at the meeting. This minority approval requirement need not be met if the total shareholdings of those non-controlling shareholders who vote against their election represent 1% or less of all of the voting rights in the company. Outside directors serve for a three-year term, which may be renewed for only one additional three-year term. Outside directors can be removed from office only by the same special percentage of shareholders as can elect them, or by a court, and then only if the outside directors cease to meet the statutory qualifications with respect to their appointment or if they violate their duty of loyalty to the company.

Any committee of the board of directors must include at least one outside director and the audit committee must include all of the outside directors. An outside director is entitled to compensation as provided in regulations adopted under the Companies Law and is otherwise prohibited from receiving any other compensation, directly or indirectly, in connection with such service.

In addition, the Nasdaq Stock Market requires us to have at least three independent directors on our Board of Directors and to establish an audit committee, at least a majority of whose members are independent of management. Our current audit committee complies with the Nasdaq rules.

Audit Committee

Our audit committee, established in accordance with Section 114 of the Israeli Companies Law and Section 3(a)(58)(A) of the Securities Exchange Act of 1934, assists our board of directors in overseeing the accounting and financial reporting processes of our company and audits of our financial statements, including the integrity of our financial statements, compliance with legal and regulatory requirements, our independent public accountants' qualifications and independence, the performance of our internal audit function and independent public accountants, finding any defects in the business management of our company for which purpose the audit committee may consult with our independent auditors and internal auditor, proposing to the board of directors ways to correct such defects, approving related-party transactions as required by Israeli law, and such other duties as may be directed by our board of directors.

Our audit committee is currently composed of Joseph Atsmon, Liora Katzenstein and Efraim Wachtel, each of whom satisfies the requirement applicable to members of audit committees. Joseph Atsmon has been elected as the Chairperson of the Audit Committee. The audit committee meets at least once each quarter. Our Audit Committee charter is available on our website at www.radvision.com.

Under Israeli law, an audit committee may not approve an action or a transaction with a controlling shareholder, or with an office holder, unless at the time of approval two outside directors are serving as members of the audit committee and at least one of the outside directors was present at the meeting in which an approval was granted.

Our Audit Committee is authorized generally to investigate any matter within the scope of its responsibilities and has the power to obtain from the internal auditing unit, our independent auditors or any other officer or employee any information that is relevant to such investigations.

Our Audit Committee has adopted and our Board of Directors has approved a company-wide Code of Business Ethics which appears on our company's website.

Audit Committee Financial Expert

Our board of directors has determined that Joseph Atsmon meets the definition of an audit committee financial expert, as defined in Item 401 of Regulation S-K.

Other Committees

In addition to our audit committee, our board of directors has established an option committee and an executive committee.

Our option committee, whose members are Zohar Zisapel, Efraim Wachtel and Gad Tamari, administers our consultants option plan. The Board of Directors serves as the compensation committee of our board directors and sets the annual compensation for Gad Tamari, our chief executive officer. Mr. Tamari does not participate in any discussions or decisions that involve any aspect of his compensation.

Internal Audit

The Israeli Companies Law also requires the board of directors of a public company to appoint an internal auditor nominated by the audit committee. A person who does not satisfy the Companies Law's independence requirements may not be appointed as an internal auditor. The role of the internal auditor is to examine, among other things, the compliance of the company's conduct with applicable law and orderly business practice. Our internal auditor complies with the requirements of the Companies Law. Our Internal Auditor is currently Mr. Gideon Duvshani, C.P.A. of Schwartz, Lerner, Duvshani & Co.

Approval of Related Party Transactions Under Israeli Law

The Companies Law codifies the fiduciary duties that "office holders", including directors and executive officers, owe to a company. An "office holder" is defined in the Companies Law as a director, general manager, chief business manager, deputy general manager, vice general manager, other manager directly subordinate to the managing director or any other person assuming the responsibilities of any of the foregoing positions without regard to such person's title. An office holder's fiduciary duties consist of a duty of care and a duty of loyalty. The duty of care requires an office holder to act at a level of care that a reasonable office holder in the same position would employ under the same circumstances. This includes the duty to utilize reasonable means to obtain (i) information regarding the appropriateness of a given action brought for his approval or performed by him by virtue of his position and (ii) all other information of importance pertaining to the foregoing actions. The duty of loyalty includes avoiding any conflict of interest between the office holder's position in the company and his personal affairs, avoiding any competition with the company, avoiding exploiting any business opportunity of the company in order to receive personal gain for the office holder or others, and disclosing to the company any information or documents relating to the company's affairs which the office holder has received due to his position as an office holder. Each person identified as a director or executive officer in the first table in the section is an office holder. Under the Companies Law and our Articles of Association, all arrangements as to compensation of office holders who are not directors require approval of our Audit Committee and Board of Directors if the transaction is an "extraordinary transaction", or if such transaction is not an "extraordinary transaction," the approval of our General Manager according to guidelines of the Board of Directors. The compensation of office holders who are directors must be approved by our Audit Committee, Board of Directors and shareholders.

The Companies Law requires that an office holder promptly disclose any personal interest that he or she may have and all related material information known to him or her, in connection with any existing or proposed transaction by us. In addition, if the transaction is an extraordinary transaction, that is, a transaction other than in the ordinary course of business, other than on market terms, or likely to have a material impact on the company's profitability, assets or liabilities, the office holder must also disclose any personal interest held by the office holder's spouse, siblings, parents, grandparents, descendants, spouse's descendants and the spouses of any of the foregoing, or by any corporation in which the office holder or a relative is a 5% or greater shareholder, director or general manager or in which he or she has the right to appoint at least one director or the general manager. Some transactions, actions and arrangements involving an office holder (or a third party in which an office holder has an interest) must be approved by the board of directors or as otherwise provided for in a company's articles of association, as not being adverse to the company's interest. In some cases, such a transaction must be approved by the audit committee and by the board of directors itself (with further shareholder approval required in the case of extraordinary transactions). An office holder who has a personal interest in a matter, which is considered at a meeting of the board of directors or the audit committee, may not be present during the board of directors or audit committee discussions and may not vote on this matter, unless the majority of the members of the board or the audit committee have a personal interest, as the case may be, in which case such transaction will also require the approval of shareholders.

The Companies Law also provides that some transactions between a public company and a controlling shareholder, or transactions in which a controlling shareholder of the company has a personal interest but which are between a public company and another entity, require the approval of the board of directors and of the shareholders. The Companies Law defines a controlling shareholder as a person who holds 25% or more of the voting rights at the company’s general meeting, provided there is no other person that holds more than 50% of the voting rights in the company; for purposes of holding, two or more persons who hold voting rights in the company and each of whom has a personal interest in the approval of the same transaction up for approval by the company shall be deemed one holder. Moreover, an extraordinary transaction with a controlling shareholder or the terms of compensation of a controlling shareholder, or an extraordinary transaction with another person in whom the controlling shareholder has a personal interest must be approved by the audit committee, the board of directors and shareholders. The shareholder approval for an extraordinary transaction must include at least one-third of the shareholders who have no personal interest in the transaction and are present at the meeting. The transaction can be approved by shareholders without this one-third approval, if the total shareholdings of those shareholders who have no personal interest and voted against the transaction do not represent more than one percent of the voting rights in the company.

In addition, a private placement of securities that will increase the relative holdings of a shareholder that holds 5% or more of the company's outstanding share capital or that will cause any person to become, as a result of the issuance, a holder of more than five percent of the company's outstanding share capital, requires approval by the board of directors and the shareholders of the company. The Companies Law provides that an acquisition of shares in a public company must be made by means of a tender offer if as a result of the acquisition the purchaser would become a 25% shareholder of the company. This rule does not apply if there is already another 25% shareholder of the company. Similarly, the Companies Law provides that an acquisition of shares in a public company must be made by means of a tender offer if as a result of the acquisition the purchaser would become a 45% shareholder of the company, unless there is a 50% shareholder of the company. Regulations under the Companies Law provide that the Companies Law's tender offer rules do not apply to a company whose shares are publicly traded outside of Israel, if pursuant to the applicable foreign securities laws and stock exchange rules there is a restriction on the acquisition of any level of control of the company, or if the acquisition of any level of control of the company requires the purchaser to make a tender offer to the public shareholders.

Indemnification of Directors and Officers

The Companies Law provides that an Israeli company cannot exculpate an office holder from liability with respect to a breach of his duty of loyalty, but may exculpate in advance an office holder from his liability to the company, in whole or in part, with respect to a breach of his duty of care. Our Articles of Association provide that, subject to any restrictions imposed by the Companies Law, we may enter into a contract for the insurance of the liability of any of our office holders with respect to:

- a breach of his duty of care to us or to another person;
- a breach of his duty of loyalty to us, provided that the office holder acted in good faith and had reasonable cause to assume that his act would not prejudice our interests; or
- a financial liability imposed upon him in favor of another person in respect of an act performed by him in his capacity as an office holder. In addition, we may indemnify an office holder against:
- a financial liability imposed on him in favor of another person by any judgment, including a settlement or an arbitrator's award approved by a court in respect of an act performed in his capacity as an office holder; and
- reasonable litigation expenses, including attorneys' fees, expended by such office holder or charged to him by a court, in proceedings we institute against him or instituted on our behalf or by another person, or in a criminal charge from which he was acquitted, all in respect of an act performed in his capacity as an office holder.

These provisions are specifically limited in their scope by the Israeli Companies Law, which provides that a company may not indemnify an office holder, nor enter into an insurance contract that would provide coverage for any monetary liability incurred as a result of any of the following:

- a breach by the office holder of his duty of loyalty unless the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;

- a breach by the office holder of his duty of care if such breach was done intentionally or in disregard of the circumstances of the breach or its consequences;

- any act or omission done with the intent to derive an illegal personal benefit; or

- any fine levied against the office holder as a result of a criminal offense.

Under the Companies Law, our shareholders may amend our Articles of Association to include either of the following provisions:

- Prospectively undertake to indemnify an office holder of the company, provided that the undertaking is limited to types of events which our board of directors deems to be anticipated and limited to an amount determined by the board of directors to be reasonable under the circumstances.

- Retroactively indemnify an office holder of the company.

In addition, pursuant to the Companies Law, indemnification of, and procurement of insurance coverage for, our office holders must be approved by our Audit Committee and our Board of Directors and, in specified circumstances, by our shareholders.

On January 18, 2000, our shareholders agreed to indemnify our office holders to the fullest extent permitted under the Companies Law. We have obtained directors and officers liability insurance for the benefit of our office holders.

Code of Ethics

We have adopted a Code of Business Conduct Ethics for Executive and Financial Officers and which applies to all of our employees. The Code of Business Conduct is publicly available on our website at www.radvision.com and we will provide shareholders with a written copy upon request. If we make any substantive amendments to the Code of Business Conduct or grant any waivers, including any implicit waiver, from a provision of these codes to our chief executive officer, chief financial officer or corporate controller, we will disclose the nature of such amendment or waiver on our website.

Item 11. Executive Compensation

The following table sets forth information concerning the total compensation paid to our executive officers in fiscal 2003:

Name and Principal Position	Salaries, fees, commissions and bonuses	Pension, retirement and other similar benefits
All officers and directors as a group (7 persons) ……………………………...	$499,333	$35,823

The aggregate value of all other perquisites and other personal benefits furnished to each of these executive officers was less than 10% of each officer's salary for such year.

1996 Stock Option Plan

In April 1996, we adopted our key employee share incentive plan. Employees of RADVISION and its subsidiaries of or affiliates of RADVISION belonging to the RAD-BYNET group are eligible to participate in the plan. Options granted under this plan are for a term of sixty-two months from the date of the grant of the option. The following table presents option grant information for this plan as of January 31, 2004:

Ordinary shares reserved for option grants	Options granted	Weighted average exercise price
3,163,523	3,100,223	$ 2.86

The 3,163,523 ordinary shares indicated in the table as having been reserved for option grants reflect the total number of ordinary shares reserved for grants under this plan and our consultants option plan in the aggregate. We intend to grant further options under this plan to our executive officers and employees. As of January 31, 2004, 864,096 options may be exercised under this plan.

Plan Administration

The share incentive committee of our board of directors administers the plan subject to Board Ratification. Under the plan, the committee has the authority to recommend to the Board:

- the persons to whom options are granted;
- the number of shares underlying each option award;
- the time or times at which the award shall be made;
- the exercise price, vesting schedule and conditions under which the options may be exercised; and
- any other matter necessary or desirable for the administration of the plan.

Option Trust

Under the plan, all options, or shares issued upon exercise of options, are held in trust and registered in the name of a trustee selected by the share incentive committee. During this period, voting rights attached to the ordinary shares issued upon exercise of the options may be exercised by the trustee.

Termination and Amendment

Our board of directors may terminate or amend the plan, provided that any action by our board of directors which will alter or impair the rights of an option holder requires the prior consent of that option holder.

Consultants Option Plan

In March 1999, we adopted our consultants option plan. Employees and directors and consultants employed by us are eligible to participate in the plan. Options granted under the plan are for a term of sixty-two months from the date of grant of the option. The following table presents option grant information for this plan as of January 31, 2004:

Ordinary shares reserved for option grants	Options granted	Weighted average exercise price
3,163,523	63,300	$1.18

The ordinary shares indicated in the table as having been reserved for option grants reflect the total number of ordinary shares reserved for grants under this plan and our key employee share incentive plan in the aggregate. As of January 31, 2004 there were no options eligible for exercise.

Plan Administration

The option and compensation committee of our board of directors administers the plan, subject to Board ratification. Under the plan, the committee has the authority to recommend to the Board:

- the persons to whom options are granted;
- the number of shares underlying each option award;
- the time or times at which the award shall be made;
- the exercise price, vesting schedule and conditions under which the options may be exercised; and
- any other matter necessary or desirable for the administration of the plan.

Option Trust

Under the plan, all options, or shares issued upon exercise of options, are held in trust and registered in the name of a trustee selected by the share option and compensation committee. The plan provides that the trustee will empower Yehuda and Zohar Zisapel to exercise the voting rights attached to the ordinary shares issued upon exercise of the options.

Termination and Amendment

Our board of directors may terminate or amend the plan, provided that any action by our board of directors which will alter or impair the rights of an option holder requires the prior consent of that option holder.

2000 Stock Option Plan

Our 2000 Employee Stock Option Plan, or the 2000 Plan, currently authorizes the grant of options to purchase up to 4,865,839 ordinary shares. Employees and consultants of our company and its subsidiaries are eligible to participate in the 2000 Plan. The 2000 Plan also provides for the grant of options equal in the amount of up to 4% of our share capital, on a fully diluted basis, in each subsequent year following the year 2000 for issuance under the 2000 Stock Option Plan. An additional 894,945 ordinary shares were authorized for grant in 2001 based on 4% of our share capital at December 31, 2000, an additional 887,630 ordinary shares were authorized for grant in 2002 based on 4% of our share capital at December 31, 2001, an additional 748,997 ordinary shares were authorized for grant in 2003 based on 3.3% of our share capital at December 31, 2002 and an additional 795,290 ordinary shares were authorized for grant in 2004 based on 3.3% of our share capital at December 31, 2003. Options, which are canceled or not exercised within the option period will become available for future grants. Awards under the 2000 Plan may be granted in the form of incentive stock options as provided in Section 422 of the U.S. Internal Revenue Code of 1986, as amended, non-qualified stock options, options granted pursuant to Section 102 of the Israeli Tax Ordinance and options granted pursuant to Section 3.(9) of the Israeli Tax Ordinance.

Plan Administration

The option and compensation committee appointed by the Board of Directors administers the 2000 Plan, subject to Board ratification. Subject to the provisions of the 2000 Plan and applicable law, the option and compensation committee has the authority to recommend to the Board:

- the persons to whom such awards are granted;
- the form, terms and conditions of the written stock option agreement evidencing the option, including the type of option and the number of shares to which it pertains, the option price, the option period and its vesting schedule, and exercisability of the option in special cases (such as death, retirement, disability and change of control); and
- the form and provisions of the notice of exercise and payment of the option.

Subject to the provisions of the 2000 Plan and applicable law, the Board has the authority to:

- nominate a trustee for options issued under Section 102 of the Israeli Tax Ordinance;

- adjust any or all of the number and type of shares that thereafter may be made the subject of options, the number and type of shares subject to outstanding options, and the grant or exercise price with respect to any option, or, if deemed appropriate, make provision for a cash payment to the holder of any outstanding option in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the 2000 Plan in the event of any dividend or other distribution, recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of shares or other securities;

- interpret the provisions of the 2000 Plan; and

- prescribe, amend, and rescind rules and regulations relating to the 2000 Plan or any award thereunder as it may deem necessary or advisable.

Neither the Board of Directors nor the option and compensation committee may, without the consent of the optionee, alter or in any way impair the rights of such optionee under any award previously granted. Neither the termination of the 2000 Plan nor the change of control of our company, except to the extent provided in the 2000 Plan, will affect any option previously granted.

The option price per share may not be less than 100% of the fair market value of such share on the date of the award; provided, however, that in the case of an award of an incentive stock option made to a 10% owner, the option price per share may not be less than 110% of the fair market value (as such term is defined in the 2000 Plan) of such share on the date of the award.

An option may not be exercisable after the expiration of ten (10) years from the date of its award. No option may be exercised after the expiration of its term. In the case of an award of incentive stock options made to a 10% owner, such options may not be exercisable after the expiration of five (5) years from its date of award.

Options are not assignable or transferable by the optionee, other than by will or the laws of descent and distribution, and may be exercised during the lifetime of the optionee only by the optionee or his or her guardian or legal representative; provided, however, that during the optionee's lifetime, the optionee may, with the consent of the option and compensation committee transfer without consideration all or any portion of his options to members of the optionee's immediate family (as defined in the 2000 Plan), a trust established for the exclusive benefit of members of the optionee's immediate family, or a limited liability company in which all members are members of the optionee's immediate family.

The following table presents option grant information for this plan as of January 31, 2004:

Ordinary shares reserved for option grants	Options granted	Range of exercise prices
4,865,839	4,474,070	$4.57- $28.00

As of January 31, 2004, 3,890,760 options may be exercised under this plan.

Exercise of Options During 2003

During the year ended December 31, 2003, we issued 1,072,919 ordinary shares, par value NIS 0.1 per share each, at an average exercise price of $4.25 per share to employees and consultants as a result of the exercise of stock options.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information, as of the date of this annual report, regarding the beneficial ownership by all shareholders known to us to own beneficially more than 5% of our ordinary shares. The voting rights of our major shareholders do not differ from the voting rights of other holders of our ordinary shares. However, concurrent with our initial public offering in March 2000, certain of our shareholders entered into a voting agreement. As a result, such shareholders may be able to exercise control with respect to the election of directors.

Name	Number of ordinary shares beneficially owned (1)	Percentage of outstanding ordinary shares (2)
Yehuda Zisapel (3)(4)	1,964,561	10.03%
Zohar Zisapel (5)(6)	2,028,041	10.36
Siemens Venture Capital GmbH (7)	799,378	4.08
Samsung entities (8)	1,000,000	5.11
The Baupost Group, L.L.C. (9)	3,377,975	17.25

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Ordinary shares relating to options currently exercisable or exercisable within 60 days of the date of this annual report are deemed outstanding for computing the percentage of the person holding such securities but are not deemed outstanding for computing the percentage of any other person. Except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table above have

sole voting and investment power with respect to all shares shown as beneficially owned by them.

(2) The percentages shown are based on 19,577,985 ordinary shares issued and outstanding as of March 10, 2004.

(3) Includes 477,213 ordinary shares owned of record by Rad Data Communication Ltd.

(4) The address of Mr. Yehuda Zisapel is 24 Raul Wallenberg Street, Tel Aviv 69719, Israel.

(5) Includes 477,213 ordinary shares owned of record by Rad Data Communication Ltd., 310,856 ordinary shares owned of record by Michael and Klil Holdings (93) Ltd., and 306,456 ordinary shares owned of record by Lomsha Ltd.

(6) The address of Mr. Zohar Zisapel is 24 Raul Wallenberg Street, Tel Aviv 69719, Israel.

(7) The address of Siemens Venture Capital GmbH is Baierbrunner Str. 23, 81379, Munich, Germany.

(8) The address of Samsung Electro-Mechanics Co. Ltd. is 314 Maetan 3-Dong, Paldal-Gu, Suwon, Kyunggi-D, Korea 442-743. The address of Samsung Venture Investment Corporation is Samsung Yeok Sam Bldg. 647-9, Yeok Sam-Dong, Kang Nam-Gu, Korea 135-080.

(9) Based solely upon, and qualified in its entirety with reference to, a Schedule 13G filed with the Securities and Exchange Commission on February 12, 2004.

Directors and Executive Officers

The following table and the footnotes thereto contain information concerning the beneficial ownership of our ordinary shares by all of our directors and executive officers as a group, including currently exercisable stock options.

Name	Number of ordinary shares	Percentage of outstanding ordinary shares (1)(2)
All directors and executive officers as a group (8 persons)	2,596,479	13.26%

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(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Ordinary shares relating to options currently exercisable or exercisable within 60 days of the date of this annual report are deemed outstanding for computing the percentage of the person holding such securities but are not deemed outstanding for computing the percentage of any other person. Except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table

above have sole voting and investment power with respect to all shares shown as beneficially owned by them.

(2) The percentage of ordinary shares for each person and the group shown in this table is based on the 19,577,985 ordinary shares outstanding on March 10, 2004.

Item 13. Certain Relationships and Related Transactions

The RAD-BYNET Group

Zohar Zisapel our chairman and Yehuda Zisapel, our former director and chairman, are principal shareholders of our company. Individually or together, they are also directors and principal shareholders of several other companies which, together with us and the other subsidiaries and affiliates, are known as the RAD-BYNET group. These corporations include but not limited to:

AB-NET Ltd.
Axerra Networks Inc.
BYNET Data Communication Ltd.
BYNET Electronics Ltd.
BYNET Properties Ltd.
BYNET SEMECH Outsourcing Ltd.
BYNET Systems Applications Ltd.
BYNET Personal Computers Ltd.
Ceragon Networks Ltd.
RAD-BYNET Properties and Services (1981) Ltd.
Modules INC.
RAD Data Communication Ltd.
RAD-OP Inc.
E-BEAT Software and Internet Services Ltd.
RADWARE Ltd.
RADCOM Ltd.
RADWIN Ltd.
RIT Technologies Ltd.
Sanrad Inc.
SILICOM Ltd.
WISAIR Inc.

In addition to engaging in other businesses, members of the RAD-BYNET group are actively engaged in designing, manufacturing, marketing and supporting data communication products, none of which currently compete with our products. Some of the products of members of the RAD-BYNET group are complementary to, and may be used in connection with, our products.

Members of the RAD-BYNET group provide us with human resource and administrative services, and we reimburse each company for its costs in providing these services. The aggregate amount of these reimbursements was approximately $54,000 and $28,000 in 2002 and 2003, respectively.

Agreement with Axerra Ltd. (formally named IP RAD Ltd)

In September 2000, we entered into an agreement to license our MGCP MG software to Axerra Ltd., an affiliated company controlled by Yehuda and Zohar Zisapel and a member of the RAD-BYNET group. The agreement, which was based on our standard form, provides for an aggregate fee of $80,000. This fee includes maintenance and support services for one year. In addition, the agreement provides that Axerra has an option to extend the maintenance and support services for additional annual periods.

Supply Arrangement

We purchase from RAD Data Communication components that we integrate into our multimedia RADVISION products. The aggregate purchase price of these components was approximately $133,000 for the year ended December 31, 2002 and $23,000 for the year ended December 31, 2003.

We generally ascertain the market prices for goods and services that can be obtained at arms' length from unaffiliated third parties before entering into any transaction with a member of the RAD-BYNET group for those goods and services. In addition, all of our transactions to date with members of the RAD-BYNET group were approved unanimously by our shareholders. As a result, we believe that the terms of the transactions in which we have engaged and are currently engaged with other members of the RAD-BYNET group are beneficial to us and no less favorable to us than terms which might be available to us from unaffiliated third parties. Any future transactions and arrangements with entities, including other members of the RAD-BYNET group, in which our office holders have a personal interest will require approval by our audit committee, our board of directors and, if applicable, our shareholders.

Voting Agreement

Upon the completion of the private placement which took place contemporaneously with our March 2000 initial public offering, Siemens and some of our existing shareholders, including our current chairman of the board, our former chief executive officer, the Evergreen Group, Clal Venture Capital Fund LP and Yehuda Zisapel, entered into a voting agreement. The voting agreement provided that, in the election of our directors, the shareholders party to the agreement will nominate and vote for a nominee of Siemens to serve as a director and as many other nominees as the other shareholders party to the agreement shall unanimously propose to serve as directors. However, the number of directors that the other shareholders propose to serve as directors shall at a minimum be equal to the number of directors which these shareholders appointed to the board prior to March 2000. If all directors, except for one director, decide that the continuation of a director on our board may damage our business prospects, then the director shall be removed from our board.

The voting agreement expired in March 2003, but was subject to automatic extensions for two additional one-year periods unless any of the parties to the agreement provided notice to the other parties 60 days before the expiration date of the then current term that such party wishes to terminate the agreement. The voting agreement continues in effect at present and 3,837,554 ordinary shares, representing approximately 19.6% of our outstanding shares, are currently subject to the voting agreement.

Item 14. Principal Accountants Fees and Services

The following table sets forth, for each of the years indicated, the fees paid to our independent public accountants and the percentage of each of the fees out of the total amount paid to the accountants:

	Year ended December 31,			
	2002		2003	
Services Rendered	Fees	Percentages (*)	Fees	Percentages (*)
Audit (1)	$50,000	49.0%	$43,000	53.8%
Audit-related (2)	5,000	4.9	5,000	6.2
Tax (3)	17,000	16.7	32,000	40.0
Other (4)	30,000	29.4	-	-
Total	102,000	100.0	80,000	100.0

(1) Audit fees consist of services that would normally be provided in connection with statutory and regulatory filings or engagements, including services that generally only the independent accountant can reasonably provide.

(2) Audit-related fees relate to assurance and associated services that traditionally are performed by the independent accountant, including consultation concerning financial accounting and reporting standards.

(3) Tax fees relate to services performed by the tax division for tax compliance, planning, and advice.

(4) Other fees include services related to valuation study and related opinion.

Pre-Approval Policies and Procedures

The Audit Committee has adopted a policy and procedures for the pre-approval of audit and non-audit services rendered by our independent public accountants, Kost Forer Gabbay & Kasierer, a member of Ernest & Young Global. The policy generally pre-approves certain specific services in the categories of audit services, audit-related services, and tax services up to specified amounts, and sets requirements for specific case-by-case pre-approval of discrete projects, those which may have a material effect on our operations or services over certain amounts. Pre-approval may be given as part of the Audit Committee's approval of the scope of the engagement of our independent auditor or on an individual basis. The pre-approval of services may be delegated to one or more of the Audit Committee's members, but the decision must be presented to the full Audit Committee at its next scheduled meeting. The policy prohibits retention of the independent public accountants to perform the prohibited non-audit functions defined in Section 201 of the Sarbanes-Oxley Act or the rules of the SEC, and also considers whether proposed services are compatible with the independence of the public accountants.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a)(1) See Index to Financial Statements on Page F-1 for a list of the financial statements being filed herein.

(a)(2) Index to Financial Statement Schedules

Schedule II—Valuation and qualifying accounts (years ended December 31, 2003, 2002 and 2001).

(a)(3) See Exhibits below for all Exhibits being filed or incorporated by reference herein.

Exhibit	Description
3.1*	Memorandum of Association of the Registrant
3.2*	Articles of Association of the Registrant
4.1*	Form of Ordinary Share Certificate
4.2*	Agreement, dated as of April 14, 1995, by and among Registrant, RAD Data Communication Ltd. and Yehuda Zisapel and Zohar Zisapel
4.3*	Agreement, dated as of April 18, 1995, by and among Registrant, Clal Venture Capital Fund LP and Yehuda Zisapel and Zohar Zisapel
4.4*	Agreement, dated as of April 18, 1995, by and among Registrant, Lannet Data Communication Ltd. and Yehuda Zisapel and Zohar Zisapel
4.5*	Agreement, dated as of April 19, 1995, by and among Registrant, ECI Telecom Ltd. and Yehuda Zisapel and Zohar Zisapel
4.6*	Agreement, dated as of April 24, 1995, by and among Registrant, Zohar Gilon, Avraham Neuman, Yair Tauman and W.S.P. Capital Investment Ltd., and Yehuda Zisapel and Zohar Zisapel
4.7*	Agreement, dated as of April 26, 1995, by and among Registrant, Lerosh Investments Ltd., Gevahim Investments House Limited Ltd., Yoav Chelouche, Permal Emerging Growth V Ltd., Maritime—Julex Investment Ltd., Shraga Blazer and Eli Luz and Yehuda Zisapel and Zohar Zisapel
4.8*	Agreement, dated as of April 27, 1995, by and among Registrant, Finovelec, Factory Systemes, Houston Venture Partners, Ltd. and Yehuda Zisapel and Zohar Zisapel

4.9*	Agreement, dated September 12, 1996, by and among Registrant and Intel Corporation, as amended
4.10*	Agreement, dated May 12, 1998, by and among Registrant, Evergreen Canada Israel Management Ltd., IJT Technologies Ltd., Periscope I Fund Israeli Partnership, Dovrat Shrem Trust Company Ltd., Rubin Gruber, C.E. Unterberg, Towbin LLC, C.E. Unterberg, Towbin Private Equity Partners LP, C.E. Unterberg, Towbin Private Equity Partners CV, C.E. Unterberg, Private Profit Sharing Plan FBO Alex Bernstein and Steimatzsky Ltd.
10.1***	Form of 2000 Employee Stock Option Plan
10.2*	Key Employee Share Incentive Plan, as amended
10.3*	Consultant Option Plan, as amended
10.4*	License Agreement, dated January 13, 1999, between Registrant and RADCOM Ltd.
10.5*	Lease Agreement, dated May 12, 1997, between RADVISION Inc. and RAD Data Communication Inc., as amended
10.6**	Lease Agreement, dated January 19, 2001, between Zohar Zisapel Properties, Inc., Yehuda Zisapel Properties, Inc. and RADVISION Inc.
11	Statements re computation of per share earning.
21	Subsidiaries of RADVISION Ltd.
23.1	Consent of Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, with respect to the Registration Statements on Form S-8.
31.1	Certification by Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
31.2	Certification by Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
32.1	Certification by Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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* Incorporated by reference to our registration statement on Form F-1, registration number 333-30916, as amended, filed with the Securities and Exchange Commission.

** Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2000, filed with the Securities and Exchange Commission.

*** Incorporated by reference to our Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed with the Securities and Exchange Commission.

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

An 8-K bearing the cover date of October 20, 2003 with respect to a press release announcing the Registrant's third quarter earnings was filed on October 21, 2003.

An 8-K bearing the cover date of November 10, 2003 with respect to “Item 5. Other Events and Regulation FD Disclosure” was filed on November 10, 2003.

RADVISION Ltd. and Subsidiaries
Schedule II—Valuation and Qualifying Accounts

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts	Deductions	Balance at end of period
Year ended December 31, 2003:					
Allowance for doubtful accounts....	$1,593,000	$111,000			$1,704,000
Year ended December 31, 2002:					
Allowance for doubtful accounts....	$1,126,000	$ 467,000			$ 1,593,000
Year ended December 31, 2001:					
Allowance for doubtful accounts....	$577,000	$ 549,000			$1,126,000

RADVISION LTD. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2003

IN U.S. DOLLARS

INDEX

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REPORT OF INDEPENDENT AUDITORS

To the Shareholders of

RADVISION LTD.

We have audited the accompanying consolidated balance sheets of Radvision Ltd. (the "Company") and its subsidiaries as of December 31, 2002 and 2003, and the related consolidated statements of operations, changes in shareholders' equity and cash flows for each of the two years in the period ended December 31, 2003. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits. The financial statements of Radvision Ltd. as of December 31, 2001 and for the year then ended, were audited by other auditors who have ceased operations as a foreign associated firm of the Securities and Exchange Commission Practice Section of the American Institute of Certified Public Accountants and whose report dated January 30, 2002, expressed an unqualified opinion on those statements and schedule .

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2002 and 2003, and the consolidated results of their operations and their cash flows for each of the two years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements and schedule taken as a whole, present fairly in all material respects the information set forth therein.

/s/Kost, Forer, Gabbay & Kasierer
KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

Tel-Aviv, Israel
February 3, 2004,
except for Note 7e,
for which date is February 12, 2004.

This is a copy of the previously issued Independent Public Accountants' report of Arthur Andersen. The report has not been reissued by Arthur Andersen.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and the Shareholders of
RADVISION Ltd.:

We have audited the accompanying consolidated balance sheets of RADVISION Ltd. (an Israeli corporation) and its subsidiaries as of December 31, 2000 and 2001, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of RADVISION Ltd. and its subsidiaries as of December 31, 2000 and 2001, and the consolidated results of operations and cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

Luboshitz Kasierer
Arthur Andersen

Tel-Aviv, Israel
January 30, 2002

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands, except share data

	December 31, 2002	December 31, 2003
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 13,825	$ 16,433
Short-term bank deposits	14,879	13,574
Short-term marketable securities	14,712	21,403
Trade receivables (net of allowance for doubtful accounts of $ 1,593 and $ 1,704 at December 31, 2002 and 2003, respectively)	9,505	8,685
Other accounts receivable and prepaid expenses	2,836	2,704
Inventories	996	969
Total current assets	56,753	63,768
LONG-TERM ASSETS:		
Long-term bank deposits	11,013	4,004
Long-term marketable securities	33,929	44,497
Severance pay fund	1,641	2,171
Total long-term assets	46,583	50,672
PROPERTY AND EQUIPMENT, NET	3,335	2,572
Total assets	$ 106,671	$ 117,012
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	$ 3,347	$ 1,270
Deferred revenues	2,863	6,047
Accrued expenses and other accounts payable	12,385	13,101
Total current liabilities	18,595	20,418
ACCRUED SEVERANCE PAY	3,061	3,353
Total liabilities	21,656	23,771
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Ordinary shares of NIS 0.1 par value: Authorized - 25,000,000 shares as of December 31, 2002 and 2003; Issued – 20,152,045 as of December 31, 2002 and 2003; Outstanding - 18,285,930 and 19,344,849 shares as of December 31, 2002 and 2003, respectively	187	187
Additional paid-in capital	104,586	104,663
Deferred stock compensation	(117)	-
Treasury stock (1,866,115 and 807,196 Ordinary shares as of December 31, 2002 and 2003, respectively)	(11,757)	(5,075)
Accumulated deficit	(7,884)	(6,534)
Total shareholders’ equity	85,015	93,241
Total liabilities and shareholders' equity	$ 106,671	$ 117,012

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

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Year ended December 31,		
	2001	**2002**	**2003**
Revenues:			
Hardware products	$ 29,683	$ 36,336	$ 38,059
License and royalties	10,027	6,619	7,463
Services and other	6,517	6,140	5,782
Total revenues	46,227	49,095	51,304
Cost of revenues	10,362	10,946	11,351
Gross profit	35,865	38,149	39,953
Operating expenses:			
Research and development expenses	17,933	15,338	14,573
Marketing and selling expenses, net	16,735	18,624	19,969
General and administrative expenses	4,438	4,098	4,040
Restructuring costs	3,023	-	-
Total operating expenses	42,129	38,060	38,582
Operating income (loss)	(6,264)	89	1,371
Financial income, net	4,652	2,667	2,130
Net income (loss)	$ (1,612)	$ 2,756	$ 3,501
Basic net earnings (loss) per Ordinary share	$ (0.09)	$ 0.15	$ 0.19
Diluted net earnings (loss) per Ordinary share	$ (0.09)	$ 0.15	$ 0.18

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

U.S. dollars in thousands, except share data

	Ordinary shares		Additional paid-in	Deferred stock	Treasury	Accumulated	Total Shareholders'
	Number	Amount	capital	compensation	stock	deficit	equity
Balance as of January 1, 2001	19,144,984	$ 165	$ 103,849	$ (641)	$ -	$ (9,028)	$ 94,345
Purchase of treasury stock	(1,585,446)	-	-	-	(9,903)	-	(9,903)
Options exercised	744,706	17	924	-	-	-	941
Payment of issuance expenses	-	-	(550)	-	-	-	(550)
Amortization of deferred compensation	-	-	(14)	342	-	-	328
Net loss	-	-	-	-	-	(1,612)	(1,612)
Balance as of December 31, 2001	18,304,244	182	104,209	(299)	(9,903)	(10,640)	83,549
Purchase of treasury stock	(280,669)	-	-	-	(1,854)	-	(1,854)
Exercise of options by employees	262,355	5	377	-	-	-	382
Amortization of deferred stock compensation	-	-	-	182	-	-	182
Net income	-	-	-	-	-	2,756	2,756
Balance as of December 31, 2002	18,285,930	187	104,586	(117)	(11,757)	(7,884)	85,015
Purchase of treasury stock	(14,000)	-	-	-	(77)	-	(77)
Exercise of options by employees	1,072,919	-	77	-	6,759	(2,151)	4,685
Amortization of deferred stock compensation	-	-	-	117	-	-	117
Net income	-	-	-	-	-	3,501	3,501
Balance as of December 31, 2003	19,344,849	$ 187	$ 104,663	$ -	$ (5,075)	$ (6,534)	$ 93,241

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,		
	2001	**2002**	**2003**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ (1,612)	$ 2,756	$ 3,501
Adjustments required to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	2,407	2,665	1,926
Gain on sale of property and equipment	-	(2)	(45)
Accrued interest and amortization of premium on held-to-maturity marketable securities and bank deposits	-	(263)	(513)
Accrued severance pay, net	279	748	(238)
Amortization of deferred stock compensation	328	182	117
Decrease (increase) in trade receivables, net	1,947	(4,427)	820
Decrease (increase) in other accounts receivable and prepaid expenses	(208)	(1,577)	124
Decrease in inventories	3,072	888	27
Increase (decrease) in trade payables	(2,951)	2,582	(2,077)
Increase (decrease) in deferred revenues	(6,807)	(628)	3,184
Increase in accrued expenses and other accounts payable	3,592	2,314	716
Other	174	-	-
Net cash provided by operating activities	221	5,238	7,542
CASH FLOWS FROM INVESTING ACTIVITIES:			
Increase in short-term investments	(13,235)	-	-
Increase in long-term investments	(10,429)	-	-
Proceeds from redemption of held-to-maturity marketable securities	-	45,810	56,811
Purchase of held-to-maturity marketable securities	-	(44,800)	(73,600)
Proceeds from withdrawal of bank deposits	-	36,998	18,476
Purchase of bank deposits	-	(33,167)	(10,119)
Purchase of property and equipment	(2,045)	(1,705)	(1,300)
Proceeds from sale of property and equipment	146	225	182
Net cash provided by (used in) investing activities	(25,563)	3,361	(9,550)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of share capital	941	-	-
Purchase of treasury stock	(9,903)	(1,854)	(77)
Exercise of options by employees	-	382	-
Payment of issuance expenses	(550)	-	-
Repayment of long-term bank loans	(46)	(19)	-
Issuance of Ordinary shares and treasury stock for cash upon exercise of options	-	-	4,693
Net cash provided by (used in) financing activities	(9,558)	(1,491)	4,616
Increase (decrease) in cash and cash equivalents	(34,900)	7,108	2,608
Cash and cash equivalents at the beginning of the year	41,617	6,717	13,825
Cash and cash equivalents at the end of the year	$ 6,717	$ 13,825	$ 16,433
Supplemental disclosure of cash flow activities:			
Cash paid during the year for:			
Interest	$ 4	$ -	$ -
Supplemental disclosure of non-cash flow investing and financing activities:			
Issuance of Ordinary shares upon sale of treasury stock	$ -	$ -	$ 8

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 1:- GENERAL

Radvision Ltd. ("the Company"), an Israeli corporation, 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.

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 ("Internet Protocol") communications.

Commencing in 2001, the Company operates under two reportable segments: 1) the "networking" business unit (or "NBU"), which focuses on a networking product and is responsible for developing networking products for IP-centric voice, video and data conferencing services; and 2) the "technology" business unit (or "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 four wholly-owned subsidiaries: Radvision Inc., in the United States, Radvision B.V., in the Netherlands, Radvision HK in Hong Kong, and Radvision U.K. in the United Kingdom. The subsidiaries are primarily engaged in the sale and marketing of the Company's products and technology.

Revenues derived from the Company's largest customer in 2003, represented 21% of total sales (see Note 10c).

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are prepared according to United States generally accepted accounting principles (”U.S. GAAP”).

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. Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Intercompany transactions and balances have been eliminated upon consolidation.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Financial statements in U.S. dollars:

The Company and its subsidiaries' revenues are generated in U.S. dollars ("dollar"). In addition, a significant portion of the Company and its subsidiaries' costs is incurred in dollars. The Company’s management believes that the dollar is the primary currency of the economic environment in which the Company and its subsidiaries operate. Thus, the functional and reporting currency of the Company and its subsidiaries is the dollar.

Accordingly, the Company and its subsidiaries' transactions and balances denominated in dollars, are presented at their original amounts. Non-dollar transactions and balances have been remeasured into dollars in accordance with Statement of the Financial Accounting Standard No. 52 "Foreign Currency Translation" ("SFAS No.52"). All transaction gains and losses from remeasurement of monetary balance sheet items denominated in non-dollar currencies, are reflected in the statements of operations as financial income or expenses, as appropriate, and have not been material for all periods presented.

d. Cash equivalents:

Cash equivalents are short-term highly liquid investments that are readily convertible to cash with maturities of three months or less at the date acquired.

e. Marketable securities:

The Company accounts for investments in debt securities in accordance with Statement of Financial Accounting Standard No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS No. 115"). Management determines the appropriate classification of its investments in debt and equity securities at the time of purchase and reevaluates such determinations at each balance sheet date. Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity and are stated at amortized cost. The amortized cost of held-to-maturity securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization, accretion and decline in value judged to be other than temporary and interest are included in financial income, net.

f. Short-term bank deposits:

Short-term bank deposits are deposits with maturities of more than three months but less than one year. The deposits are in dollars and bear interest at an average rate of 3.75% at December 31, 2003. The short-term deposits are presented at their cost, including accrued interest.

g. Long-term bank deposits:

Bank deposits with maturities of more than one year are presented at their cost plus accrued interest. The deposits are in dollars and bear interest at an average rate of 2.25% at December 31, 2003.

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

h. Inventories:

Inventories are stated at the lower of cost or market value.

Inventory write-offs and write-down provisions are provided to cover risks arising from slow-moving items or technological obsolescence. The Company and its subsidiaries periodically evaluate the quantities on hand, relative to current and historical selling prices, and historical and projected sales volume and aging inventory. Based on this evaluation, provisions are made when required to write inventory down to its market prices. As a result of adjusted forecast of revenues for the years 2003 and 2004, and the decision to discontinue selling certain products, the Company and its subsidiaries wrote off excess inventories in order to adjust the inventory level to the new revenue expectations. The Company's provision for slow-moving items or technological obsolescence was $ 2,914, $ 3,310 and $ 2,452 as of December 31, 2001, 2002 and 2003, respectively.

Cost is determined as follows:

Raw materials - using the average cost method.
Work-in-progress - represents the cost of subcontractors.
Finished products - on the basis of subcontractors' costs, with the addition of raw materials.

i. Property and equipment:

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, at the following annual rates:

	%
Computers and peripheral equipment	15-33
Office furniture and equipment	7-15
Motor vehicles	15
Leasehold improvements	Over the term of the lease

j. Impairment of Long-Lived Assets:

The Company and the subsidiaries' long-lived assets are reviewed for impairment in accordance with Statement of Financial Accounting Standard No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144") whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. As of December 31, 2003, no impairment losses have been identified.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

k. Severance pay:

The Company's liability for severance pay is calculated pursuant to Israeli severance pay law based on the most recent salary of the employees multiplied by the number of years of employment, as of the balance sheet date. Employees are entitled to one month's salary for each year of employment or a portion thereof. The Company's liability for all of its employees is fully provided by monthly deposits for insurance policies and by an accrual. The value of these policies is recorded as an asset in the Company's balance sheet.

The deposited funds include profits accumulated up to the balance sheet date. The deposited funds may be withdrawn only upon the fulfillment of the obligation pursuant to Israeli severance pay law or labor agreements. The value of the deposited funds is based on the cash surrendered value of the policies and includes immaterial profits.

Severance pay expenses for the years ended December 31, 2001, 2002 and 2003, amounted to approximately $ 279, $ 748 and $ 390, respectively.

l. Revenue recognition:

The Company and its subsidiaries generate revenues mainly from: 1) sales of systems; 2) licensing the rights to use its software products royalty income; 3) maintenance and support; and 4) customization projects. The Company and its subsidiaries sell their hardware products through OEMs, system integrators and value added resellers, all of whom are considered end-users.

Software licensing, royalties and other revenues:

The Company accounts for software sales in accordance with Statement of Position 97-2,"Software Revenue Recognition," ("SOP 97-2"). SOP 97-2 generally requires revenue earned on software arrangements involving multiple elements to be allocated to each element based on the relative fair value of the elements. In addition the Company has adopted Statement of Position 98-9, "Modification of SOP 97-2, Software Revenue Recognition with Respect to Certain Transactions", ("SOP 98-9"). SOP 98-9 requires that revenue be recognized under the "residual method" when vendor specific objective evidence (VSOE) of fair value exists for all undelivered elements, VSOE does not exist for all of the delivered elements and all other SOP 97-2 revenue recognition criteria are met. Under the residual method any discount in the arrangement is allocated to the delivered element.

Revenue from license fees is recognized when persuasive evidence of an agreement exists, delivery of the product has occurred, no significant obligations with regard to implementation remain, the fee is fixed or determinable and collectibility is probable.

Maintenance and support revenue included in multiple element arrangements is deferred and recognized on a straight-line basis over the term of the maintenance and support agreement. The VSOE of fair value of the undelivered elements (maintenance and support fees) is determined based on the price charged for the undelivered element when sold separately.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

In agreements for which the customer requires a 30-day acceptance provision, the Company and its subsidiaries defer the recognition of revenues until the receipt of the acceptance confirmation.

Certain royalty agreements provide for per unit royalties to be paid to the Company based on the shipments by customers of units containing the Company's products. Revenues under such agreements are recognized at the time of shipments by the customers as they are reported to the Company by these customers on cash basis. Non-refundable payments on account of future royalties from similar agreements are recognized upon payment, provided that no future obligation exists.

Revenues from professional services are recognized based on Statement of Position No. 81-1 "Accounting for Performance of Construction - Type and Certain Production - Type Contracts" ("SOP 81-1"), using contract accounting on a percentage of completion method, based on completion of agreed-upon milestones and in accordance with the "Output Method" or based on the time and material basis. After delivery of milestone, if uncertainty exists about customer acceptance, revenue is not recognized until acceptance. Provisions for estimated losses on uncompleted contracts are recognized in the period in which the likelihood of such losses is determined. As of December 31, 2003, no such estimated losses were identified.

Deferred revenue includes unearned amounts received under maintenance and support contracts, and amounts received from customers but not recognized as revenues.

The Company offers a one-year warranty for all of its products. The specific terms and conditions of those warranties vary depending upon the product sold and country in which the Company does business. For products sold in the United States, the Company provides a basic limited warranty, including parts and labor, for all products for a period of one year. The Company estimates the costs that may be incurred under its basic limited warranty and records a liability in the amount of such costs at the time product revenue is recognized. Factors that affect the Company's warranty liability include the number of installed units, historical and anticipated rates of warranty claims, and cost per claim. The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

Sales of system:

Revenues from product sales are recognized in accordance with Staff Accounting Bulletin No.104, "Revenue Recognition" ("SAB No.104"), when delivery has occurred, persuasive evidence of an agreement exists, the vendor's fee is fixed or determinable, no further obligation exists and collectibility is probable.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company and its subsidiaries generally do not grant a right of return to its customers. When returns are expected and estimated, the Company defers revenue until the probability for such returns expires, at which time revenue is recognized provided that all other revenue recognition criteria are met. The Company maintains provision for product returns; based on its experience in accordance with Statement of Financial Accounting Standard No. 48, "Revenue Recognition When Right of Return Exists". The provision has been immaterial for the years ended December 31, 2001, 2002 and 2003.

In November 2002, the Emerging Issues Task Force ("EITF") of the FASB reached a consensus on EITF Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables" related to the timing of revenue recognition for arrangements in which goods or services or both are delivered separately in a bundled sales arrangement. The consensus requires that when the deliverables included in this type of arrangement meet certain criteria they should be accounted for separately. This may result in a difference in the timing of revenue recognition but will not result in a change in the total amount of revenue recognized over the life of the arrangement. The allocation of revenue to the separate deliverables is based on the relative fair value of each item in a bundled sales arrangement. If the fair value is not available for the delivered items, the residual method must be used. This method requires that the amount allocated for the undelivered items in the arrangement be recorded at their full fair value. This results in the discount, if any, being allocated to the delivered items. This consensus is effective prospectively for arrangements entered into in fiscal periods beginning after June 15, 2003. The adoption of EITF Issue No. 00-21 did not have a material impact upon the Company's financial position, cash flows or results of operations.

m. Research and development costs:

Research and development costs are charged to the statement of operations, as incurred. Statement of Financial Accounting Standard No. 86 "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed", requires capitalization of certain software development costs subsequent to the establishment of technological feasibility.

Based on the Company's product development process, technological feasibility is established upon completion of a working model. Costs incurred by the Company between completion of the working models and the point at which the products are ready for general release have been insignificant. Therefore, all research and development costs have been expensed.

n. Non-royalties bearing grants:

The Company received grants from the Israel U.S Binational Industrial Research and Development Foundation and the Chief Scientist Office (see Note 7a). These grants are recognized at the time the Company is entitled to such grants on the basis of the costs incurred and included as a deduction of research and development costs.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

o. Income taxes:

The Company and its subsidiaries account for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"). This Statement prescribes the use of the liability method whereby deferred tax assets and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company and its subsidiaries provide a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value.

p. Fair value of financial instruments:

The Company and its subsidiaries, in estimating the fair value of their financial instruments used the following methods and assumptions for disclosures of financial instruments:

The carrying amount reported in the balance sheet for cash and cash equivalents, short-term bank deposits, trade receivables and trade payables approximate their fair values due to the short-term maturities of such instruments.

The fair value of held to maturity marketable securities is based on amortized cost, which does not differ significantly from the quoted market prices (see Note 3).

q. Accounting for stock-based compensation:

The Company accounts for stock-based compensation in accordance with the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB No. 25) and FASB interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation" ("FIN No. 44") in accounting for its employee stock options. Under APB No. 25, when the exercise price of the employee’s options equals or is higher than the market price of the underlying Company share on the date of grant, no compensation expense is recognized.

The Company adopted the disclosure provisions of Financial Accounting Standards Board Statement No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" ("SFAS No. 148"), which amended certain provisions of Statement of Financial Accounting Standard No.123 “Accounting for Stock-Based Compensation” (“SFAS No. 123”) to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation, effective as of the beginning of the fiscal year. The Company continues to apply the provisions of APB No. 25, in accounting for stock-based compensation.

Pro forma information regarding the Company's net income (loss) and net earnings (loss) per share is required by SFAS No. 123 and has been determined as if the Company had accounted for its employee stock options under the fair value method prescribed by SFAS No. 123.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The fair value of these options is amortized over their vesting period and estimated at the date of grant using a Black-Scholes multiple option pricing model with the following weighted average assumptions; risk-free interest rates of 2.5%, 3% and 2.37% for 2001, 2002 and 2003, respectively; a dividend yield of 0.0% for each of those years; a volatility factor of the expected market price of the Company's Ordinary shares of 0.98 for 2001, 0.48 for 2002 and 0.771 for 2003; and a weighted-average expected life of the option of 2.9 years for 2001, 2002 and 2003.

The weighted average fair values on the grant date, for the years ended December 31, 2001, 2002 and 2003 amounted to $ 3.29, $ 2.03 and $ 4.25, respectively.

The following table illustrates the effect on net income (loss) and net earnings (loss) per share, assuming that the Company had applied the fair value recognition provision of SFAS No. 123 on its stock-based employee compensation:

	Year ended December 31,		
	2001	**2002**	**2003**
Net income (loss) as reported	$ (1,612)	$ 2,756	$ 3,501
Add: stock based compensation expense determined under APB 25 intrinsic value	$ 328	$ 182	$ 117
Deduct: stock-based compensation expense determined under fair value method for all awards	$ (6,687)	$ (5,440)	$ (3,640)
Pro forma net loss	$ (7,971)	$ (2,502)	$ (22)
Basic net earnings (loss) per share, as reported	$ (0.09)	$ 0.15	$ 0.19
Pro forma basic net loss per share	$ (0.42)	$ (0.14)	$ *) -
Diluted earnings (loss) per share as reported	$ (0.09)	$ 0.15	$ 0.18
Pro forma diluted net loss per share	$ (0.42)	$ (0.14)	$ *) -

*) Represents amounts lower than $ 0.01

r. Concentration of credit risk:

Financial instruments that potentially subject the Company and its subsidiaries to concentrations of credit risk consist principally of cash and cash equivalents, marketable securities, short-term bank deposits, trade receivables and long-term bank deposits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The majority of the Company's cash and cash equivalents, short-term and long-term bank deposits are invested in dollar investments with major banks in Israel and the U.S. Such cash and cash equivalents, short-term and long-term bank deposits in the United States may be in excess of insured limits and are not insured in other jurisdictions. However, management believes that the financial institutions that hold the Company's investments are financially sound and accordingly, minimal credit risk exists with respect to these investments.

The marketable securities of the Company and its subsidiaries include investments in debentures of U.S corporations, and state and political subdivisions. Management believes that the portfolio is well diversified, and accordingly, minimal credit risk exists with respect to these marketable securities.

The trade receivables of the Company and its subsidiaries related to NBU business are derived from sales to large and solid organizations located mainly in North America, Europe, Far East and Israel. The Company and its subsidiaries perform ongoing credit evaluations of their customers and to date have not experienced any material losses. An allowance for doubtful accounts is determined with respect to those amounts that the Company and its subsidiaries have determined to be doubtful of collection and by a general reserve. In certain circumstances, the Company and its subsidiaries may require letters of credit, other collateral or additional guarantees.

The Company and its subsidiaries' trade receivables related to TBU business are derived from sales to emerging companies located mainly in North America, Europe, the Far East and Israel. The Company and its subsidiaries perform ongoing credit evaluations of their customers and when uncertainty of collectibility exists, the Company and its subsidiaries defer revenues until such uncertainty expires.

As of December 31, 2003, the current balance of one customer accounted for 21.7% of the Company's trade receivables for a total of approximately $ 1,884.

The Company and its subsidiaries do not have significant off-balance-sheet concentration of credit risk, such as foreign exchange contracts, options contracts or other foreign hedging arrangements.

s. Basic net earnings (loss) per share:

Basic net earnings (loss) per share is computed based on the weighted average number of Ordinary shares outstanding during the year. For the same periods, diluted net earnings (loss) per share further includes the effect of dilutive stock options outstanding during the year, all in accordance with SFAS No. 128, "Earnings per Share".

Options outstanding to purchase approximately 2,226,906 and 1,202,258 Ordinary shares for the years ended December 31, 2002 and 2003, respectively, were not included in the computation of diluted net earnings per share, because option exercise price were greater than the average market price of the Ordinary shares and therefore their inclusion would have been anti-dilutive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 3:- MARKETABLE SECURITIES

The following is a summary of held-to-maturity securities at December 31, 2003 and 2002:

	Amortized cost		Unrealized gains (losses)		Estimated fair value	
	2002	2003	2002	2003	2002	2003
Debts of states and political subdivisions	$ 21,501	$ 27,212	$ 821	$ 115	$ 22,322	$ 27,327
Corporate debentures	27,140	38,688	(876)	(435)	26,264	38,253
	$ 48,641	$ 65,900	$ (55)	$ (320)	$ 48,586	$ 65,580

Gross realized gains or losses for 2003, 2002, and 2001 were not significant.

The amortized cost and fair value of held-to-maturity debt and securities at December 31, 2003, by contractual maturities, are shown below:

	Amortized cost	Estimated fair value
Due in one year or less	$ 21,403	$ 21,099
Due after one year through two years	44,497	44,481
	$ 65,900	$ 65,580

NOTE 4:- INVENTORIES

Inventories are composed of the following:

	December 31,	
	2002	2003
Raw materials	$ 194	$ 361
Work-in-progress	720	490
Finished products	82	118
	$ 996	$ 969

NOTE 5:- PROPERTY AND EQUIPMENT, NET

Composition of assets, grouped by major classifications, is as follows:

Computers and peripheral equipment	$ 5,780	$ 8,153
Office furniture and equipment	3,272	2,294
Motor vehicles	591	198
Leasehold improvements	1,536	1,834
	11,179	12,479
Less - accumulated depreciation	7,844	9,907
Depreciated cost	$ 3,335	$ 2,572

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 6:- ACCRUED EXPENSES AND OTHER ACCOUNTS PAYABLE

	December 31,	
	2002	**2003**
Employees and employee accruals	$ 1,617	$ 2,415
Accrued expenses	10,768	10,686
	$ 12,385	$ 13,101

NOTE 7:- COMMITMENTS AND CONTINGENCIES

a. In connection with its research and development, the Company received and accrued participation payments from the Israel U.S. Binational Industrial Research and Development Foundation (BIRD-F), in the total amount of approximately $188. In return for the participation, the Company is committed to pay royalties at a rate of 2.5% of proceeds from the first year's sales and 5% of the proceeds from the succeeding years' sales, up to the amount of the grant. Once the amount of the grant has been repaid, royalties will be payable at the rate of 2.5% of proceeds, until additional royalties equal to one half of the grant amount have been repaid. The Company's total commitment for royalties payable with respect to future sales, based on BIRD-F participations received or accrued, net of royalties paid or accrued, totaled approximately $ 276 as of December 31, 2002 and 2003. Royalties paid or accrued to the BIRD-F amounted to $ 0 during the year 2003.

b. The Company and its subsidiaries operate from leased premises in Israel, United States, China, the United Kingdom and Hong Kong. The leases expire through October 2005 (some with renewal options). The Company rents their vehicles under operating lease agreements that expire on various dates, the latest of which is in 2005.

   Annual minimum future rental payments due under the above agreements, at the exchange rate in effect on December 31, 2003, are approximately as follows:

2004	$ 1,788
2005	869
	$ 2,657

   For the years ended December 31, 2001, 2002 and 2003, rent expenses were $ 1,424, $ 1,556 and $ 1,608, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 7:- COMMITMENTS AND CONTINGENCIES (Cont.)

c. The Company is committed to pay royalties to two third parties for the integration of these third parties' technologies into the Company's products. Royalties are payable based on the sales volume of these products, as long as the Company uses these technologies.

The rates of royalties to one of the third parties are based on a fixed amount per product sold by the Company ranging from $ 1.00 to $ 5.00 (in dollars) per unit sold.

The agreements pursuant to which the royalties are payable have no expiration date. Annual minimum future royalty payments are approximately as follows as of December 31, 2003:

2004	$ 25

The Company paid royalties in the amount of $ 25 in 2003.

d. In 1998, a third party sent correspondence to the Company’s affiliate alleging that some products manufactured by the Company infringe upon patents held by the third party and offered to license these patents to the Company. In subsequent correspondence, the Company’s affiliate requested that the third party specifically substantiate each allegation of infringement before the Company’s affiliate would be prepared to enter into any licensing arrangements. The Company does not believe that these allegations will have a material adverse effect upon its business, financial position, results of operations or liquidity. The Company’s affiliate has received further correspondence from the third party, in which the third party has, among other things, reiterated its claims. The Company’s affiliate does not believe the third party has substantiated its claims and has communicated this belief to the third party. The Company’s affiliate has advised the Company that the alleged infringement claims are unresolved. The Company's management is unable to determine with any certainty the ultimate outcome of the allegations, and its effect on the Company's business, results of operations and financial condition.

e. In January 2001, the Company entered into an agreement with related parties, to lease approximately 24,000 square feet of office space in Paramus, New Jersey for a period of 5 years, which space the Company subsequently surrendered. The parties have a dispute with respect to damages caused by this action, if any. In December 2003, the parties proceeded to binding arbitration. The presiding arbitrator issued his final ruling on February 12, 2004 stating the amount owed by the Company is $ 400. The Company accrued sufficient funds for the outcome of this dispute.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 8:- SHAREHOLDERS' EQUITY

The Ordinary shares of the Company are traded on the NASDAQ National Market.

Since October 20, 2002, the Ordinary shares of the Company have also been traded on the Tel Aviv Stock Exchange.

The Ordinary shares confer upon their holders the right to receive notice to participate and vote in general meetings of the Company, and the right to receive dividends, if declared.

a. The Company had an authorized share capital of 15,530 deferred shares of par value NIS 0.1 each. The deferred shares conferred no rights or privileges on their holders, except for the right to receive, upon dissolution or liquidation, the par value of the deferred shares. In October 2002, special shareholders meeting approved a conversion of the deferred shares to Ordinary shares.

b. In February 2001, the Company announced that its Board of Directors authorized the purchase of up to 10% of its outstanding Ordinary shares in the open market, from time to time, at prevailing market prices. No time limit was given with respect to the duration of the share purchase program.

On August 28, 2002, the Board of Directors authorized an additional purchase of up to $ 10,000 or 2,000,000 of the Company's outstanding Ordinary shares in the open market.

As of December 31, 2003, the remaining amount of purchased Ordinary shares was 807,196, at a cost of $ 5,075.

Such repurchases of Ordinary shares are accounted for as treasury stock and result in a reduction of stockholders' equity. When Treasury shares are reissued, the Company accounts for the re-issuance in accordance with Accounting Principles Board No. 6 "Status of Accounting Research Bulletins" ("APB No. 6") and charges the excess of the repurchase cost over issuance price using the weighted average method to retained earnings. In case the repurchase cost is lower than the issuance price, the Company credits the difference to additional paid-in capital.

c. The Company adopted a key employee share incentive plans which provides for the grant by the Company of option awards to purchase up to an aggregate of 7,484,072 Ordinary shares to officers, employees, directors and consultants of the Company and its subsidiaries and affiliates. The options vest ratably over vesting periods ranging from three to five years. The options expire 5 to 10 years from the date of issuance. The incentive plan provides for the grant of options equal in the amount of up to 4% of the Company's share capital on a diluted basis.

On April 8, 2003, the Company authorized the issuance of up to 748,997 additional Ordinary shares, of NIS 0.1 par value per share.

On December 22, 2003, the Board of Directors authorized the issuance of up to 250,000 additional shares to qualify for future grants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 8:- SHAREHOLDERS' EQUITY (Cont.)

As of December 31, 2003, 50,098 shares qualify for future grant. Options that are cancelled or forfeited before expiration become available for future grant.

Transactions related to the share incentive plan during the years ended December 31, 2001, 2002 and 2003, and the weighted average exercise prices per share at the date of grant, are summarized as follows:

	Year ended December 31,					
	2001		2002		2003	
	Amount	Weighted average exercise price	Amount	Weighted average exercise price	Amount	Weighted average exercise price
		$		$		$
Options outstanding at the beginning of the year	3,228,656	7.48	3,885,872	7.29	4,410,936	6.99
Granted	2,284,095	5.65	1,167,000	5.19	1,749,700	8.19
Exercised	(744,706)	1.31	(262,355)	1.61	(1,072,919)	4.25
Forfeited	(882,173)	8.74	(379,581)	7.88	(332,861)	7.96
Options outstanding at the end of the year	3,885,872	7.29	4,410,936	6.99	4,754,856	7.98
Options exercisable at the end of the year	698,842	8.01	1,485,885	7.53	1,610,343	8.99

A summary of the options outstanding and exercisable at December 31, 2003, is as follows:

	Options outstanding			Options exercisable	
Exercise price	Outstanding as of December 31, 2003	Weighted average remaining contractual life	Weighted - average exercise prices	Outstanding as of December 31, 2003	Weighted average exercise prices
$		Years	$		$
0.68-1.02	105,546	5.64	0.95	81,281	0.95
1.02-1.53	29,540	5.06	1.18	14,770	1.18
1.53-2.30	70,466	6.21	1.58	62,026	1.58
3.45-5.18	870,913	8.17	4.87	291,891	4.93
5.18-7.77	2,109,347	8.35	6.00	644,396	6.04
7.77-11.66	928,039	9.19	10.01	23,789	9.59
11.66-17.49	490,505	3.23	14.83	380,565	14.73
26.24-28.00	150,500	6.74	28.00	111,625	28.00
	4,754,856		7.98	1,610,343	8.99

The amounts of deferred stock compensation recognized arising from the difference between the exercise price and the fair market value on the date of the grant of $ 0 for options granted in the years ended December 31, 2001, 2002 and 2003, are included in shareholders' equity and are amortized over the vesting periods of the options according to APB No. 25. Under APB No. 25, the amortization of deferred compensation expense for the years ended December 31, 2001, 2002 and 2003 amounted to $ 342, $ 182 and $ 117, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 8:- SHAREHOLDERS' EQUITY (Cont.)

A summary of the options granted whose exercise prices equal to the market price of the stock on the date of grant as follows:

	Year ended December 31,					
	2001		2002		2003	
	Options	Weighted average exercise price	Options	Weighted average exercise price	Options	Weighted average exercise price
		$		$		$
Weighted average exercise prices equal to fair value at date of grant	2,284,095	5.65	1,167,000	5.19	1,749,700	8.19

In the event that cash dividends are declared in the future, such dividends will be paid in NIS or in foreign currency subject to any statutory limitations. The Company does not intend to pay cash dividends in the foreseeable future. The Company has decided not to declare dividends out of tax exempt earnings.(see Note 14).

NOTE 9:- NET EARNINGS (LOSS) PER SHARE

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

	Year ended December 31,		
	2001	2002	2003
Numerator:			
Net income (loss)	$ (1,612)	$ 2,756	$ 3,501
Denominator:			
Weighted average number of Ordinary shares outstanding during the year used to compute basic net earnings (loss) per share	18,943,014	18,353,052	18,660,444
Incremental shares attributable to exercise of outstanding options (assuming proceeds would be used to purchase treasury stock)	*) -	630,278	1,302,816
Weighted average number of Ordinary shares used to compute diluted net earnings (loss) per share	18,943,014	18,983,330	19,963,260
Basic net earnings (loss) per share	$ (0.09)	$ 0.15	$ 0.19
Diluted net earnings (loss) per share	$ (0.09)	$ 0.15	$ 0.18

*) Anti-dilutive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 10:- SEGMENT REPORTING AND GEOGRAPHICAL INFORMATION

a. Beginning in 2001, the Company operates under two reportable segments: the technology business unit ("TBU") and the networking business unit ("NBU").

The technology business unit is responsible for the development of enabling technologies for real-time voice and video over IP. The networking business unit is responsible for developing networking products for IP-centric voice, video and data conferencing services. There are no significant transactions between the two segments.

The Company evaluates segment performance based on revenues and operating income (loss) of each segment. As such, there are no separately identifiable segment assets, nor are there any separately identifiable statements of operations data below operating loss.

Business segment revenues are as follows:

	Year ended December 31,	
	2002	**2003**
TBU		
License and royalties	$ 6,619	$ 7,463
Services and other	6,140	5,782
Total technology business unit	12,759	13,245
NBU	36,336	38,059
Total revenues	$ 49,095	$ 51,304

Business segment operating income (loss) is as follows:

	2002	2003
TBU	$ 552	$ 1,766
NBU	(463)	(395)
Total operating income	$ 89	$ 1,371

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 10:- SEGMENT REPORTING AND GEOGRAPHICAL INFORMATION (Cont.)

b. The Company's sales by geographic area of end-customers are as follows:

	Year ended December 31,		
	2001	2002	2003
North America, principally the United States	$ 29,245	$ 24,599	$ 24,407
Europe	8,096	12,029	11,191
Far East	6,940	10,200	12,672
Israel	1,946	2,267	3,034
	$ 46,227	$ 49,095	$ 51,304
Long-lived assets by geographical regions:			
Israel	$ 3,916	$ 2,576	$ 1,907
United States	445	591	527
Other	157	168	138
	$ 4,518	$ 3,335	$ 2,572

c. For the years ended December 31, 2001, 2002 and 2003, one customer accounted for approximately 35%, 25% and 21%, respectively, of sales for that period. For the year ended December 31, 2002, another customer accounted for approximately 11% of sales for that period.

NOTE 11:- MARKETING AND SELLING EXPENSES, NET

	Year ended December 31,		
	2001	2002	2003
Marketing and selling expenses include:			
Royalties to the Government of Israel	$ 80	$ -	$ -

NOTE 12:- RESTRUCTURING COSTS

In the second quarter of 2001, the Company recorded a charge of approximately $ 3,000, primarily relating to severance costs associated with a 13% workforce reduction as part of its plan to reduce operating expenses. As of December 31, 2003, the remaining reserve balance of approximately $ 1,560 is included in other payables and accrued expenses in the balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 13:- RELATED PARTIES BALANCES AND TRANSACTIONS

a. Balances with related parties:

	December 31, 2002	December 31, 2003
Receivables	$ 610	$ 84
Trade payables	$ 116	$ 179

b. Transactions with related parties:

	Year ended December 31, 2001	2002	2003
Revenues (1)	$ 108	$ 199	$ -
Cost of revenues (3)	$ 188	$ 244	$ 66
Research and development expenses (2)	$ 184	$ 44	$ 379
Marketing, selling, general and administrative expenses (2)	$ 116	$ 157	$ 207
Purchase of property and equipment (4)	$ 263	$ 576	$ 530

(1) Includes revenues from the Company's products and maintenance sold to affiliated companies.

(2) Includes administrative services provided to the Company by affiliated companies that the Company reimburses for the costs incurred in providing these services.

(3) Includes the purchase of components from affiliated companies.

(4) Includes property and equipment that were purchased from affiliated companies.

c. As for the dispute with related parties, see Note 7e.

NOTE 14:- TAXES ON INCOME

a. Tax benefits under the Law for the Encouragement of Capital Investment, 1959 ("the Law"):

The Company's investment program totaling $ 122 has been granted Approved Enterprise status under the Law for Encouragement of Capital Investments, 1959. In addition, the Company was granted Approved Enterprise status for an expansion of a previous program totaling $ 459. The Company has chosen to enjoy "Alternative plan benefits", according to which the Company is entitled to a tax benefit period of seven years, on income derived from these programs, as follows: a full income tax exemption for the first two years and a reduced income tax rate of 25% (instead of the regular rate of 36%) for the remaining five year period. If foreign shareholdings in the Company exceed 25%, the period for which the Company is entitled to a reduced income tax is extended to eight years, and subject to corporate taxes at the reduced rate of 10%-25% (depending on the level of non-Israeli investments in the Company).

NOTE 14:- TAXES ON INCOME (Cont.)

The period of tax benefits detailed above is subject to limits of 12 years from the year of commencement of production, or 14 years from the date of granting the approval, whichever is earlier. Given the aforementioned conditions, under the first expansion program, the period of benefits for the production facilities, which has not yet commenced, will terminate in the year 2010, and under the second expansion program the period of benefits for the production, which has yet commenced, will terminate in the year 2012.

As the Company currently has no taxable income, the benefits have not yet commenced for all programs since inception.

In addition, in July 2003, the Company received a letter of approval for a second expansion of an approved plan. The approved investment amounted to $ 180, which is to be carried out by July 27, 2005.

The tax-exempt income attributable to the "Approved Enterprise" can be distributed to shareholders without subjecting the Company to taxes only upon the complete liquidation of the Company. If these retained tax-exempt profits are distributed in a manner other than in the complete liquidation of the Company they would be taxed at the corporate tax rate applicable to such profits as if the Company had not elected the alternative system of benefits, currently between 25% for an "Approved Enterprise". As of December 31, 2003, the accumulated deficit of the Company does not include tax-exempt profits earned by the Company’s "Approved Enterprise".

The benefits from the Company’s approved enterprise programs are dependent upon the Company fulfilling the conditions stipulated by the Law for Encouragement of Capital Investments, 1959 and the regulations published under this law, as well as the criteria in the approval for the specific investment in the Company’s "Approved Enterprise" programs. If the Company does not comply with these conditions, the tax benefits may be canceled, and the Company may be required to refund the amount of the canceled benefits, with the addition of linkage differences and interest. As of the date of these financial statements, the Company's management believes that it has complied with these conditions.

By virtue of this law, the Company is entitled to claim accelerated depreciation on equipment used by the "Approved Enterprise" during five tax years.

Income from sources other than the "Approved Enterprise" during the benefit period will be subject to tax at the regular corporate tax rate of 36%.

b. Tax reform:

On July 24, 2002, Amendment 132 to the Israeli Income Tax Ordinance ("the Amendment") was approved by the Israeli parliament and came into effect on January 1, 2003. The principal objectives of the Amendment were to broaden the categories of taxable income and to reduce the tax rates imposed on the employees' income.

NOTE 14:- TAXES ON INCOME (Cont.)

The material consequences of the Amendment applicable to the Company include, among other things, imposing a tax upon all income of Israeli residents, individuals and corporations, regardless of the territorial source of income and certain modifications in the qualified taxation tracks of employee stock options.

c. Measurement of taxable income under the Income Tax (Inflationary Adjustments) Law, 1985:

Results for tax purposes are measured and reflected in real terms in accordance with the change in the Israeli Consumer Price Index ("CPI"). As explained in Note 2c the consolidated financial statements are presented in dollars. The differences between the change in the Israeli CPI and in the NIS/U.S. dollar exchange rate causes a difference between taxable income or loss and the income or loss before taxes reflected in the consolidated financial statements. In accordance with paragraph 9(f) of SFAS No. 109, the Company has not provided deferred income taxes on this difference between the reporting currency and the tax bases of assets and liabilities.

d. Tax benefits under Israel's Law for the Encouragement of Industry (Taxation), 1969:

The Company is an "industrial company", as defined by the law for the Encouragement of Industry (Taxes), 1969, and as such, is entitled to claim public issuance expenses, and accelerated depreciation on equipment used by the "Approved Enterprise", over five tax years.

e. As of December 31, 2003, the Company's net operating loss carryforwards for tax purposes amounted to approximately $ 16,500. These net operating losses may be carried forward indefinitely and offset against future taxable income. The Company expects that during the period in which these tax losses are utilized its income would be substantially tax-exempt. Accordingly, the income tax rate of the Company during the tax-exempt period will be zero, and there will be no tax benefit available from these losses and no deferred tax asset has been included in these financial statements. Deferred taxes in respect of other temporary differences are immaterial.

f. The U.S. subsidiary's carryforward tax losses through December 31, 2003, amounted to approximately $ 14,000. These losses are available to offset any future U.S. taxable income of the U.S. subsidiary and will expire in the years 2010 through 2022. In light of the subsidiary's recent history of operating losses, the Company has recorded a valuation allowance for all its deferred tax assets.

Utilization of U.S. net operating losses may be subject to substantial annual limitation due to the "change in ownership" provisions of the Internal Revenue Code of 1986 and similar state provisions. The annual limitations may result in the expiration of net operating losses before utilization.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 14:- TAXES ON INCOME (Cont.)

g. Deferred income taxes:

Deferred income taxes reflect the net tax effects of net operating loss carryforward between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for income tax purposes. Significant components of the Company's deferred tax assets resulting from tax loss carryforward are as follows:

	December 31,	
	2002	2003
Net operating loss carryforward	$ 9,540	$ 11,540
Valuation allowance	(9,540)	(11,540)
	$ -	$ -

The Company and its subsidiaries provided valuation allowances in respect of deferred tax assets resulting from tax loss carryforwards and other temporary differences. Management currently believes that it is more likely than not that the deferred tax regarding the loss carryforwards and other temporary differences will not be realized. The change in the valuation allowance as of December 31, 2003 was $ 2,000.

h. The Company's total income (loss) before provision for income taxes is as follows:

	Year ended December 31,		
	2001	2002	2003
Domestic (Israel)	$ (965)	$ 7,880	$ 4,115
Foreign	(647)	(5,124)	(614)
	$ (1,612)	$ 2,756	$ 3,501

i. A reconciliation between the theoretical tax benefit, assuming all income is taxed at the statutory tax rate applicable to the income of the Company and the actual tax expense as reported in the statements of operations, is as follows:

	Year ended December 31,		
	2001	2002	2003
Net income (loss) before taxes on income	$ (1,612)	$ 2,756	$ 3,501
Theoretical tax expense (benefit) computed at the statutory rate (36%)	$ (580)	$ 992	$ 1,260
Loss and other items for which deferred taxes were not provided, net	418	(1,235)	(1,431)
Non-deductible expenses	162	243	171
Actual tax expenses	$ -	$ -	$ -

NOTE 15:- QUARTERLY INFORMATION (UNAUDITED)

The Company's quarterly consolidated financial position and statements of operations as of and for each of the quarterly periods in the years ended December 31, 2002, and 2003 are as follows:

	Three months ended							
	Mar. 31, 2002	**June 30, 2002**	**Sept. 30, 2002**	**Dec. 31, 2002**	**Mar. 31, 2003**	**June 30, 2003**	**Sept. 30, 2003**	**Dec. 31, 2003**
Revenues	$ 11,557	$ 11,707	$ 12,158	$ 13,673	$ 11,053	$ 11,605	$ 13,080	$ 15,566
Cost of revenues	2,558	2,571	2,615	3,202	2,360	2,598	2,932	3,461
Gross profit	8,999	9,136	9,543	10,471	8,693	9,007	10,148	12,105
Operating expenses								
Research and development expenses	4,041	3,870	3,815	3,612	3,564	3,596	3,693	3,720
Marketing and selling expenses, net	4,469	4,587	4,642	4,926	4,732	4,853	5,023	5,361
General and administrative expenses	969	1,073	1,071	985	948	976	1,020	1,096
Total operating expenses	9,479	9,530	9,528	9,523	9,244	9,425	9,736	10,177
Operating income (loss)	(480)	(394)	15	948	(551)	(418)	412	1,928
Financial income, net	752	686	634	595	566	560	500	504
Net income	$ 272	$ 292	$ 649	$ 1,543	$ 15	$ 142	$ 912	$ 2,432
Basic earnings per Ordinary share	$ 0.01	$ 0.02	$ 0.04	$ 0.08	$ -	$ 0.01	$ 0.05	$ 0.13
Weighted average number of Ordinary shares outstanding	18,168,617	18,063,334	18,137,900	18,218,850	18,331,538	18,473,504	18,743,188	19,093,547
Diluted earnings per Ordinary share	$ 0.01	$ 0.02	$ 0.03	$ 0.08	$ -	$ 0.01	$ 0.05	$ 0.11
Weighted average number of shares	19,400,949	18,864,264	18,792,868	18,875,238	19,324,573	19,218,782	20,012,705	21,296,980

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Dated: March 15, 2004

RADVISION LTD.

By: /S/GAD TAMARI
Gad Tamari
President and Chief Executive Officer
(Principal Executive Officer)

By: /S/TSIPI KAGAN
Tsipi Kagan
Chief Financial Officer
(Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Name	**Title**
/s/ Zohar Zisapel Zohar Zisapel	Chairman of the Board of Directors
/s/ Gad Tamari Gad Tamari	Chief Executive Officer, President and Director
/s/ Andreas Mattes Andreas Mattes	Director
/s/ Efraim Wachtel Efraim Wachtel	Director
/s/ Joseph Atsmon Joseph Atsmon	Director
/s/ Liora Katzenstein Liora Katzenstein	Director

Dated: March 15, 2004

RADVISION LTD.

Exhibit Index

Exhibit	Description
3.1*	Memorandum of Association of the Registrant
3.2*	Articles of Association of the Registrant
4.1*	Form of Ordinary Share Certificate
4.2*	Agreement, dated as of April 14, 1995, by and among Registrant, RAD Data Communication Ltd. and Yehuda Zisapel and Zohar Zisapel
4.3*	Agreement, dated as of April 18, 1995, by and among Registrant, Clal Venture Capital Fund LP and Yehuda Zisapel and Zohar Zisapel
4.4*	Agreement, dated as of April 18, 1995, by and among Registrant, Lannet Data Communication Ltd. and Yehuda Zisapel and Zohar Zisapel
4.5*	Agreement, dated as of April 19, 1995, by and among Registrant, ECI Telecom Ltd. and Yehuda Zisapel and Zohar Zisapel
4.6*	Agreement, dated as of April 24, 1995, by and among Registrant, Zohar Gilon, Avraham Neuman, Yair Tauman and W.S.P. Capital Investment Ltd., and Yehuda Zisapel and Zohar Zisapel
4.7*	Agreement, dated as of April 26, 1995, by and among Registrant, Lerosh Investments Ltd., Gevahim Investments House Limited Ltd., Yoav Chelouche, Permal Emerging Growth V Ltd., Maritime—Julex Investment Ltd., Shraga Blazer and Eli Luz and Yehuda Zisapel and Zohar Zisapel
4.8*	Agreement, dated as of April 27, 1995, by and among Registrant, Finovelec, Factory Systemes, Houston Venture Partners, Ltd. and Yehuda Zisapel and Zohar Zisapel
4.9*	Agreement, dated September 12, 1996, by and among Registrant and Intel Corporation, as amended
4.10*	Agreement, dated May 12, 1998, by and among Registrant, Evergreen Canada Israel Management Ltd., IJT Technologies Ltd., Periscope I Fund Israeli Partnership, Dovrat Shrem Trust Company Ltd., Rubin Gruber, C.E. Unterberg, Towbin LLC, C.E. Unterberg, Towbin Private Equity Partners LP, C.E. Unterberg, Towbin Private Equity Partners CV, C.E. Unterberg, Private Profit Sharing Plan FBO Alex Bernstein and Steimatzsky Ltd.

10.1***	Form of 2000 Employee Stock Option Plan
10.2*	Key Employee Share Incentive Plan, as amended
10.3*	Consultant Option Plan, as amended
10.4*	License Agreement, dated January 13, 1999, between Registrant and RADCOM Ltd.
10.5*	Lease Agreement, dated May 12, 1997, between RADVISION Inc. and RAD Data Communication Inc., as amended
10.6**	Lease Agreement, dated January 19, 2001, between Zohar Zisapel Properties, Inc., Yehuda Zisapel Properties, Inc. and RADVISION Inc.
11	Statements re computation of per share earnings.
21	Subsidiaries of RADVISION Ltd.
23.1	Consent of Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, with respect to the Registration Statements on Form S-8.
31.1	Certification by Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
31.2	Certification by Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
32.1	Certification by Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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* Incorporated by reference to our registration statement on Form F-1, registration number 333-30916, as amended, filed with the Securities and Exchange Commission.

** Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2000, filed with the Securities and Exchange Commission.

*** Incorporated by reference to our Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed with the Securities and Exchange Commission.

Exhibit 11

RADVISION LTD. AND SUBSIDIARIES

Statements re Computation of Per Share Earnings (Loss)

	Year ended December 31,		
	2003	**2002**	**2001**
Net earnings (loss):	**(Dollars in thousands, except per share amounts)**		
Earnings (loss) on common shares before cumulative effect of change in accounting principle—basic	3,501	2,756	(1,612)
Cumulative effect of change in accounting principle	-	-	-
Shares used to compute basic earnings (loss) per share (weighted average number of shares outstanding)	18,660,444	18,353,052	18,943,014
Shares used to compute diluted earnings (loss) per share (weighted average number of shares outstanding assuming the effect of stock options)	19,963,260	18,983,330	18,943,014
Earnings (loss) per common share before cumulative effect of change in accounting principle:			
Basic	0.19	0.15	(0.09)
Diluted	0.18	0.15	(0.09)
Cumulative effect of change in accounting principle:			
Basic	-	-	-
Diluted	-	-	-
Net earnings per common share:			
Basic	0.19	0.15	(0.09)
Diluted	0.18	0.15	(0.09)

Exhibit 21

SUBSIDIARIES OF RADVISION LTD.

1. RADVISION Inc. (United States) - a wholly owned subsidiary
2. RADVISION B.V. (Netherlands) - a wholly owned subsidiary
3. RADVISION (HK) Ltd. (Hong Kong) - a wholly owned subsidiary
4. RADVISION (UK) Ltd. (United Kingdom) – a wholly owned subsidiary.

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITOR

We consent to the reference of our firm under the section “Selected Financial Data” and to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-45422, 333-53814, 333-55130, 333-66250 and 333-82488 of our report dated February 3, 2004, except for note 7e, for which the date is February 12, 2004, with respect to the consolidated financial statements and schedule of Radvision Ltd. for the years ended December 31, 2002 and 2003 included in this Annual Report (Form 10-K) for the year ended December 31, 2003, filed with the Securities and Exchange Commission.

/s/ Kost, Forer, Gabbay & Kasierer
Kost Forer Gabbay & Kasierer
A Member of Ernst & Young Global

Tel-Aviv, Israel
March 11, 2004

Exhibit 31.1

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

I, Gad Tamari, certify that:

1. I have reviewed this annual report on Form 10-K of RADVision Ltd.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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-15(e) and 15d- 15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

(b) [Paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986]

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2004

/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 31.2

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

I, Tsipi Kagan, certify that:

1. I have reviewed this annual report on Form 10-K of RADVision Ltd.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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 15(e) and 15d- 15(e)) for the registrant and have:

(a)Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

(b) [Paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986]

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2004

/s/Tsipi Kagan*
Tsipi Kagan
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 32.1

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 Annual Report of RADVision Ltd. (the “Company”) on Form 10-K for the period ending December 31, 2003 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. § 1350, as adopted pursuant to § 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
March 15, 2004

* 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 32.2

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 Annual Report of RADVision Ltd. (the “Company”) on Form 10-K for the period ending December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Tsipi Kagan, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 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/Tsipi Kagan*
Tsipi Kagan
Chief Financial Officer
March 15, 2004

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