

AUDIOCODES LTD  
Form 6-K  
August 02, 2006

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

FORM 6-K

Report of Foreign Private Issuer Pursuant to Rule 13a-16 or 15d-16

under the Securities Exchange Act of 1934

For the Month of August, 2006

Commission file number 0-30070

AUDIOCODES LTD.

(Translation of registrant's name into English)

1 Hayarden Street. Airport City. Lod 70151 • ISRAEL

(Address of principal executive offices)

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

Form 20-F  Form 40-F

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

**Note:** Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

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

**Note:** Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

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

Yes  No

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

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On July 31, 2006, AudioCodes Ltd. (the “Company”) issued a press release announcing revenues and net income for the second quarter of 2006. A copy of this press release is annexed hereto as Exhibit 1.

The following document is attached hereto and incorporated by reference herein:

Exhibit 1. Press Release, dated July 31, 2006, announcing revenues and net income for the second quarter of 2006.

The information set forth in the second paragraph, the first sentence of the third paragraph and the fourth paragraph of, and the condensed consolidated balance sheets, condensed consolidated statements of operations and condensed interim consolidated statements of cash flows contained in, the press release attached as Exhibit 1 to this Report on Form 6-K are hereby incorporated by reference into (i) the Registrant’s Registration Statement on Form F-3, Registration No. 333-117703; (ii) the Registrant’s Registration Statement on Form F-3, Registration No. 333-123859; (iii) the Registrant’s Registration Statement on Form S-8, Registration No. 333-11894; (iv) the Registrant’s Registration Statement on Form S-8, Registration No. 333-13268; (v) the Registrant’s Registration Statement on Form S-8, Registration No. 333-13378; and (vi) the Registrant’s Registration Statement on Form S-8, Registration No. 333-105473.

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SIGNATURE

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

AUDIOCODES LTD.  
(Registrant)

By: /s/ Nachum Falek  
Nachum Falek  
Chief Financial Officer and  
Vice President Finance

Dated: August 2, 2006

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EXHIBIT INDEX

Exhibit No. Description

1. Press Release, dated July 31, 2006, announcing revenues and net income for the second quarter of 2006.
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**P R E S S R E L E A S E**

**Company Contacts**

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***AudioCodes Reports Second Quarter 2006 Results***

*Quarterly Revenues Increased to a Record \$33.3 Million, Up 6.3% Sequentially and 16.7% Year-over-Year*

**Lod, Israel - July 31, 2006 - AudioCodes (NASDAQ: AUDC)**, a leading provider of Voice over Packet (VoP) technologies and Voice Network products, today announced financial results for the second quarter ended June 30, 2006.

Revenues for the second quarter ended June 30, 2006 were a record \$33.3 million compared to \$31.3 million for the quarter ended March 31, 2006 and \$28.5 million for the quarter ended June 30, 2005. Second quarter revenues grew 6.3% sequentially and increased 16.7% compared to the second quarter of 2005.

Net income was \$3.3 million, or \$0.07 per diluted share, for the second quarter of 2006 compared to net income of \$2.3 million, or \$0.05 per diluted share, in the first quarter of 2006 and net income of \$3.1 million, or \$0.07 per diluted share, in the second quarter of 2005. SFAS No. 123R became applicable to the Company effective January 1, 2006. As a result, the Company recorded \$1.8 million of stock-based compensation expense in the second quarter of 2006 and \$2.1 million of stock-based compensation expense in the first quarter of 2006. Excluding this stock-based compensation expense, net income on a non-GAAP basis was \$5.1 million, or \$0.11 per diluted share<sup>1</sup>, in the second quarter of 2006 and \$4.3 million, or \$0.10 per diluted share, in the first quarter of 2006. Non-GAAP net income, which excludes the effect of stock-based compensation expense, is reported in order to facilitate financial results tracking and comparison with previously reported financial results.

Cash and cash equivalents, short-term and long-term marketable securities, short-term and long-term bank deposits and structured notes were \$232.9 million as of June 30, 2006 compared to \$227.6 million as of March 31, 2006 and \$214.7 million as of June 30, 2005.

“Our continued success in achieving record revenues and profitability during the second quarter of 2006 was driven substantially by the growth of our networking business where revenues increased substantially compared to the first quarter of 2006 and we continued to enjoy new customer design wins. Notably, our growth was supported by solid demand for our media gateways and media server products targeting voice over broadband applications, as well as rising demand from wireless service providers. We believe that our continued investment and progress in these areas provides a sound foundation for future growth of our networking business in fixed mobile convergence and IMS network deployments.

“Subsequent to the close of the second quarter, we completed the acquisition of Nuera Communications, a leader in the area of VoIP gateway products for cable and broadband access networks. We also entered into a definitive agreement to acquire Netrake Corporation, a leading provider of Session Border Controllers and Security Gateway Solutions. We

believe the integration of these new capabilities with our existing portfolio of systems and products will increase our customer base, enrich our VoIP product portfolio, and add scale and strength to our positioning with the service provider customer base. With these transactions, AudioCodes stands to significantly enhance its global positioning as a leading supplier of key next generation converged network systems,” stated Shabtai Adlersberg, President, Chairman and CEO of AudioCodes.

**Conference Call & Webcast Information**

AudioCodes will conduct a conference call on Tuesday, August 1, 2006 to discuss the second quarter 2006 financial results, which will be simultaneously Webcast at 9:00 a.m. Eastern Time. Investors are invited to listen to the call live via Webcast at the AudioCodes corporate Website at <http://www.audiocodes.com>.

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<sup>1</sup> Non-GAAP measures should be considered in addition to, and not as a substitute for, the results prepared in accordance with GAAP. The Company believes that non-GAAP information is useful because it can enhance the understanding of its ongoing economic performance and therefore uses internally this non-GAAP information to evaluate and manage its operations. The Company has chosen to provide this information to investors to enable them to perform comparisons of operating results in a manner similar to how the Company analyzes its operating results and because many comparable companies report this type of information as well.

## About AudioCodes

AudioCodes Ltd. (NASDAQ: AUDC) enables the new voice infrastructure by providing innovative, reliable and cost-effective Voice over Packet technology and Voice Network products to OEMs, network equipment providers and system integrators. AudioCodes provides its customers and partners with a diverse range of flexible, comprehensive media gateway and media processing technologies, based on VoIPerfect(TM) -- AudioCodes' underlying, best-of-breed, core media gateway architecture. The company is a market leader in voice compression technology and is a key originator of the ITU G.723.1 standard for the emerging Voice over IP market. AudioCodes voice network products feature media gateway and media server platforms for packet-based applications in the converged, wireline, wireless, broadband access, and enhanced voice services markets. AudioCodes enabling technology products include VoIP and CTI communication boards, VoIP media gateway processors and modules, and CPE devices. Its customers include the leading telecom and data network equipment providers globally. AudioCodes' headquarters and R&D facilities are located in Israel with an R&D extension in the U.S. Other AudioCodes' offices are located in Europe, the Far East, and Latin America. For more information on AudioCodes, visit <http://www.audiocodes.com>.

Statements concerning AudioCodes' business outlook or future economic performance; product introductions and plans and objectives related thereto; and statements concerning assumptions made or expectations as to any future events, conditions, performance or other matters, are "forward-looking statements" as that term is defined under U.S. Federal securities laws. Forward-looking statements are subject to various risks, uncertainties and other factors that could cause actual results to differ materially from those stated in such statements. These risks, uncertainties and factors include, but are not limited to: the effect of global economic conditions in general and conditions in AudioCodes' industry and target markets in particular; shifts in supply and demand; market acceptance of new products and continuing products' demand; the impact of competitive products and pricing on AudioCodes' and its customers' products and markets; timely product and technology development/upgrades and the ability to manage changes in market conditions as needed; and other factors detailed in AudioCodes' filings with the Securities and Exchange Commission. AudioCodes assumes no obligation to update the information in this release.

AudioCodes, AC, Ardito, AudioCoded, NetCoder, TrunkPack, VoicePacketizer, MediaPack, Stretto, Mediant, VoIPerfect and IPmedia and Your Gateway to VoIP are trademarks or registered trademarks of AudioCodes Limited. All other products or trademarks are property of their respective owners.

Summary financial data follows



**AUDIOCODES LTD. AND ITS SUBSIDIARIES**  
**CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS**

**U.S. dollars in thousands**

|   | <b>June 30,<br/>2006</b> | <b>December 31,<br/>2005</b> |
|---|--------------------------|------------------------------|
|   | (Unaudited)              |                              |
| <b>ASSETS</b>   |                          |                              |
| <b>CURRENT ASSETS:</b>                                |                          |                              |
| Cash and cash equivalents                             | \$ 108,513               | \$ 70,957                    |
| Short-term bank deposits and structured notes         | 56,850                   | 61,929                       |
| Short-term marketable securities and accrued interest | 25,563                   | 9,863                        |
| Trade receivables, net                                | 19,954                   | 17,990                       |
| Other receivables and prepaid expenses                | 6,108                    | 4,891                        |
| Inventories   | 13,377                   | 11,562                       |
| Total current assets                                  | 230,365                  | 177,192                      |
| <b>LONG-TERM INVESTMENTS:</b>                         |                          |                              |
| Long-term bank deposits and structured notes          | 9,960                    | 27,781                       |
| Long-term marketable securities                       | 31,968                   | 49,791                       |
| Investments in companies                              | 3,191                    | 1,112                        |
| Deferred tax assets                                   | 4,654                    | 2,489                        |
| Severance pay funds                                   | 6,249                    | 5,406                        |
| Total long-term investments                           | 56,022                   | 86,579                       |
| PROPERTY AND EQUIPMENT, NET                           | 6,198                    | 6,494                        |
| INTANGIBLE ASSETS, DEFERRED CHARGES AND OTHER,<br>NET | 2,839                    | 3,279                        |
| GOODWILL  | 17,496                   | 18,679                       |
| Total assets  | \$ 312,920               | \$ 292,223                   |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>           |                          |                              |
| <b>CURRENT LIABILITIES:</b>                           |                          |                              |
| Trade payables  | \$ 8,799                 | \$ 7,774                     |
| Other payables and accrued expenses                   | 19,234                   | 18,620                       |
| Total current liabilities                             | 28,033                   | 26,394                       |

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|  |            |            |
|--|------------|------------|
| ACCRUED SEVERANCE PAY                      | 6,801      | 5,887      |
| SENIOR CONVERTIBLE NOTES                   | 120,925    | 120,836    |
| Total shareholders' equity                 | 157,161    | 139,106    |
| Total liabilities and shareholders' equity | \$ 312,920 | \$ 292,223 |

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**AUDIOCODES LTD. AND ITS SUBSIDIARIES**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS**  
**U.S. dollars in thousands, except share and per share data**

|   | <i>Six months ended</i> |                                 | <i>Three months ended</i> |                                 |             |        |    |        |
|---|-------------------------|---------------------------------|---------------------------|---------------------------------|-------------|--------|----|--------|
|   | <b>2006</b>             | <b>June 30,<br/>(Unaudited)</b> | <b>2005</b>               | <b>June 30,<br/>(Unaudited)</b> | <b>2005</b> |        |    |        |
| Revenues  | \$                      | 64,629                          | \$                        | 55,459                          | \$          | 33,295 | \$ | 28,531 |
| Cost of revenues  |                         | 26,257                          |                           | 22,574                          |             | 13,564 |    | 11,632 |
| Gross profit  |                         | 38,372                          |                           | 32,885                          |             | 19,731 |    | 16,899 |
| Operating expenses:   |                         |                                 |                           |                                 |             |        |    |        |
| Research and development, net   |                         | 14,544                          |                           | 11,769                          |             | 7,255  |    | 6,101  |
| Selling and marketing   |                         | 16,180                          |                           | 12,330                          |             | 8,105  |    | 6,454  |
| General and administrative  |                         | 3,698                           |                           | 2,846                           |             | 1,888  |    | 1,435  |
| Total operating expenses  |                         | 34,422                          |                           | 26,945                          |             | 17,248 |    | 13,990 |
| Operating income  |                         | 3,950                           |                           | 5,940                           |             | 2,483  |    | 2,909  |
| Financial income, net   |                         | 2,352                           |                           | 874                             |             | 1,243  |    | 546    |
| Equity in losses of affiliated companies  |                         | 386                             |                           | 470                             |             | 213    |    | 214    |
| Income before taxes on income   |                         | 5,916                           |                           | 6,344                           |             | 3,513  |    | 3,241  |
| Taxes on income, net  |                         | 386                             |                           | 288                             |             | 260    |    | 148    |
| Net income  | \$                      | 5,530                           | \$                        | 6,056                           | \$          | 3,253  | \$ | 3,093  |
| Basic net earnings per share  | \$                      | 0.13                            | \$                        | 0.15                            | \$          | 0.08   | \$ | 0.08   |
| Diluted net earnings per share  | \$                      | 0.13                            | \$                        | 0.14                            | \$          | 0.07   | \$ | 0.07   |
| Weighted average number of shares used in computing basic net earnings per share (in thousands)   |                         | 41,401                          |                           | 40,112                          |             | 41,753 |    | 40,197 |
| Weighted average number of shares used in computing diluted net earnings per share (in thousands) |                         | 44,089                          |                           | 43,204                          |             | 44,241 |    | 42,859 |

**AUDIOCODES LTD. AND ITS SUBSIDIARIES**  
**NON-GAAP PROFORMA STATEMENTS OF OPERATIONS**  
**U.S. dollars in thousands, except share and per share data**

|  | <i>Six months ended</i> |                                 | <i>Three months ended</i> |             |                                 |             |    |        |
|--|-------------------------|---------------------------------|---------------------------|-------------|---------------------------------|-------------|----|--------|
|  | <b>2006</b>             | <b>June 30,<br/>(Unaudited)</b> | <b>2005</b>               | <b>2006</b> | <b>June 30,<br/>(Unaudited)</b> | <b>2005</b> |    |        |
| Revenues   | \$                      | 64,629                          | \$                        | 55,459      | \$                              | 33,295      | \$ | 28,531 |
| Cost of revenues *)  |                         | 26,005                          |                           | 22,574      |                                 | 13,446      |    | 11,632 |
| Gross profit   |                         | 38,624                          |                           | 32,885      |                                 | 19,849      |    | 16,899 |
| Operating expenses:  |                         |                                 |                           |             |                                 |             |    |        |
| Research and development, net *)   |                         | 13,178                          |                           | 11,769      |                                 | 6,597       |    | 6,101  |
| Selling and marketing *)   |                         | 14,586                          |                           | 12,330      |                                 | 7,364       |    | 6,454  |
| General and administrative *)  |                         | 3,023                           |                           | 2,846       |                                 | 1,569       |    | 1,435  |
| Total operating expenses   |                         | 30,787                          |                           | 26,945      |                                 | 15,530      |    | 13,990 |
| Operating income   |                         | 7,837                           |                           | 5,940       |                                 | 4,319       |    | 2,909  |
| Financial income, net  |                         | 2,352                           |                           | 874         |                                 | 1,243       |    | 546    |
| Equity in losses of affiliated companies   |                         | 386                             |                           | 470         |                                 | 213         |    | 214    |
| Income before taxes on income  |                         | 9,803                           |                           | 6,344       |                                 | 5,349       |    | 3,241  |
| Taxes on income, net   |                         | 386                             |                           | 288         |                                 | 260         |    | 148    |
| Non-GAAP net income  | \$                      | 9,417                           | \$                        | 6,056       | \$                              | 5,089       | \$ | 3,093  |
| Non-GAAP diluted net earnings per share  | \$                      | 0.21                            | \$                        | 0.14        | \$                              | 0.11        | \$ | 0.07   |
| Weighted average number of shares used in computing non-GAAP diluted net earnings per share (in thousands) |                         | 50,770                          |                           | 43,204      |                                 | 50,922      |    | 42,859 |

\*) Excluding stock-based compensation expenses related to options granted to employees and others as a result of the adoption of SFAR 123R as of January 1, 2006.

**AUDIOCODES LTD. AND ITS SUBSIDIARIES**  
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**

U.S. dollars in thousands

|  | Six months ended |          | Three months ended |          |
|--|------------------|----------|--------------------|----------|
|  | June 30,         |          | June 30,           |          |
|  | 2006             | 2005     | 2006               | 2005     |
|  | (Unaudited)      |          | (Unaudited)        |          |
| Cash flows from operating activities:  |                  |          |                    |          |
| Net income   | \$ 5,530         | \$ 6,056 | \$ 3,253           | \$ 3,093 |
| Adjustments required to reconcile net income to net cash provided by operating activities: |                  |          |                    |          |
| Depreciation and amortization  | 1,724            | 1,580    | 856                | 841      |
| Net loss from sale of marketable securities  | 15               | -        | -                  | -        |
| Amortization of marketable securities premiums and accretion of discounts, net             | 121              | 23       | 61                 | 23       |
| Equity in losses of affiliated companies   | 386              | 470      | 213                | 214      |
| Increase (decrease) in accrued severance pay, net  | 71               | (9)      | (58)               | (52)     |
| Stock-based compensation expenses  | 3,887            | 20       | 1,836              | 9        |
| Amortization of senior convertible notes discount and deferred charges                     | 99               | 94       | 50                 | 48       |
| Increase in accrued interest on marketable securities, bank deposits and structured notes  | (251)            | (69)     | (265)              | (35)     |
| Decrease (increase) in deferred tax assets   | (209)            | -        | 96                 | -        |
| Increase in trade receivables, net   | (1,964)          | (3,254)  | (2,035)            | (3,296)  |
| Increase in other receivables and prepaid expenses   | (904)            | (153)    | (554)              | (60)     |
| Decrease (increase) in inventories   | (1,815)          | 700      | (357)              | (187)    |
| Increase in trade payables   | 1,025            | 2,279    | 2,702              | 2,917    |
| Increase (decrease) in other payables and accrued expenses                                 | 614              | (1,038)  | (15)               | 1,831    |
| Other  | -                | (12)     | -                  | -        |
| Net cash provided by operating activities  | 8,329            | 6,687    | 5,783              | 5,346    |
| Cash flows from investing activities:  |                  |          |                    |          |
| Investment in short-term marketable securities   | -                | (1,039)  | -                  | (1,039)  |
| Proceeds from sale and maturity of marketable securities                                   | 1,979            | -        | 1,000              | -        |
| Proceeds from bank deposits  | 23,000           | -        | 5,791              | -        |
| Investments in companies   | (2,115)          | (308)    | (978)              | (101)    |
| Purchase of property and equipment   | (996)            | (960)    | (537)              | (462)    |
|  | -                | 96       | -                  | -        |

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|  |            |            |            |            |
|--|------------|------------|------------|------------|
| Proceeds from sale of property and equipment   |            |            |            |            |
| Investment in structured notes   | -          | (10,000)   | -          | (10,000)   |
| Investment in long-term marketable securities  | -          | (18,279)   | -          | (18,279)   |
| Payment for acquisition of Ai-Logix  | -          | (10,000)   | -          | -          |
| Net cash provided by (used in) investing activities  | 21,868     | (40,490)   | 5,276      | (29,881)   |
| Cash flows from financing activities:  |            |            |            |            |
| Issuance costs for senior convertible notes  | -          | (84)       | -          | (84)       |
| Proceeds from issuance of shares upon exercise of options and employee stock purchase plan | 7,359      | 2,181      | 1,044      | 347        |
| Net cash provided by financing activities  | 7,359      | 2,097      | 1,044      | 263        |
| Increase (decrease) in cash and cash equivalents   | 37,556     | (31,706)   | 12,103     | (24,272)   |
| Cash and cash equivalents at the beginning of the period                                   | 70,957     | 166,832    | 96,410     | 159,398    |
| Cash and cash equivalents at the end of the period   | \$ 108,513 | \$ 135,126 | \$ 108,513 | \$ 135,126 |