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
of the Securities Exchange Act of 1934

For the Month of September, 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 __

Attached hereto and incorporated by reference herein are:

Exhibit 1	Interim Condensed Consolidated Financial Statements as of June 30, 2006.
Exhibit 2	Operating Results and Financial Review in Connection with the Interim Condensed Consolidated Financial Statements for the six months ended June 30, 2006.

The Interim Condensed Consolidated Financial Statements attached as Exhibit 1, and the Operating Results and Financial Review in Connection with the Interim Condensed Consolidated Financial Statements for the six months ended June 30, 2006 attached as Exhibit 2, 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.

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: September 27, 2006

EXHIBIT INDEX

Exhibit 1	Interim Condensed Consolidated Financial Statements as of June 30, 2006.
Exhibit 2	Operating Results and Financial Review in Connection with the Interim Condensed Consolidated Financial Statements for the six months ended June 30, 2006.

Exhibit 1

AUDIOCODES LTD. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2006

IN U.S. DOLLARS

UNAUDITED

INDEX

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	June 30, 2006	December 31, 2005
	Unaudited	
ASSETS		
CURRENT ASSETS:		
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 of allowance for doubtful accounts of $ 460 and $ 553 at June 30, 2006 and December 31, 2005, respectively)	19,954	17,990
Other receivables and prepaid expenses	6,108	4,891
Inventories (Note 3)	13,377	11,562
Total current assets	230,365	177,192
LONG-TERM INVESTMENTS:		
Long-term bank deposits and structured notes	9,960	27,781
Long-term marketable securities	31,968	49,791
Investment 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, NET	2,839	3,279
GOODWILL (Note 4)	17,496	18,679
Total assets	$ 312,920	$ 292,223
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	$ 8,799	$ 7,774
Other payables and accrued expenses	19,234	18,620
Total current liabilities	28,033	26,394
ACCRUED SEVERANCE PAY	6,801	5,887
SENIOR CONVERTIBLE NOTES	120,925	120,836
SHAREHOLDERS' EQUITY:		
Share capital -		
Ordinary shares of NIS 0.01 par value -		
Authorized: 100,000,000 at June 30, 2006 and December 31, 2005; Issued: 45,795,929 and 44,529,943 shares at June 30, 2006 and December 31, 2005, respectively; Outstanding: 41,853,790 and 40,587,804 shares at June 30, 2006 and December 31, 2005, respectively	129	128
Additional paid-in capital	142,567	130,616
Treasury stock	(11,320)	(11,320)

Deferred stock compensation	-	(72)
Accumulated other comprehensive income	585	84
Retained earnings	25,200	19,670
Total shareholders' equity	157,161	139,106
Total liabilities and shareholders' equity	$ 312,920	$ 292,223

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Six months ended June 30,		Three months ended June 30,	
	2006	2005	2006	2005
	Unaudited			
Revenues (Note 7)	$ 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 (Note 5)	$ 0.13	$ 0.15	$ 0.08	$ 0.08
Diluted net earning per share (Note 5)	$ 0.13	$ 0.14	$ 0.07	$ 0.07

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Six months ended June 30, 2006	Six months ended June 30, 2005
	Unaudited	
Cash flows from operating activities:		
Net income	$ 5,530	$ 6,056
Adjustments required to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,724	1,580
Net loss from sale of marketable securities	15	-
Amortization of marketable securities premiums and accretion of discounts, net	121	23
Equity in losses of affiliated companies	386	470
Increase (decrease) in accrued severance pay, net	71	(9)
Amortization of deferred stock compensation	-	20
Stock-based compensation expenses	3,887	-
Amortization of senior convertible notes discount and deferred charges	99	94
Increase in accrued interest on marketable securities, bank deposits and structured notes	(251)	(69)
Increase in deferred tax assets	(209)	-
Increase in trade receivables, net	(1,964)	(3,254)
Increase in other receivables and prepaid expenses	(904)	(153)
Decrease (increase) in inventories	(1,815)	700
Increase in trade payables	1,025	2,279
Increase (decrease) in other payables and accrued expenses	614	(1,038)
Other	-	(12)
Net cash provided by operating activities	8,329	6,687
Cash flows from investing activities:		
Proceeds from sale and maturity of marketable securities	1,979	-
Proceeds from bank deposits	23,000	-
Investments in companies	(2,115)	(308)
Purchase of property and equipment	(996)	(960)
Proceeds from sale of property and equipment	-	96
Investment in structured notes	-	(10,000)
Investment in short-term and long-term marketable securities	-	(19,318)
Payment for acquisition of AudioCodes USA Inc.	-	(10,000)
Net cash provided by (used in) investing activities	21,868	(40,490)
Cash flows from financing activities:		
Issuance costs for senior convertible notes	-	(84)
Proceeds from issuance of shares upon exercise of options and sale of shares under employee stock purchase plan	7,359	2,181
Net cash provided by financing activities	7,359	2,097
Increase (decrease) in cash and cash equivalents	37,556	(31,706)
Cash and cash equivalents at the beginning of the period	70,957	166,832
Cash and cash equivalents at the end of the period	$ 108,513	$ 135,126

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

U.S. dollars in thousands (information as of June 30, 2006 and for the six and three month periods ended June 30, 2006 and 2005, is unaudited)

NOTE 1:- GENERAL

a. Business overview:

AudioCodes Ltd. (“the Company”) and its subsidiaries (together “the Group”) design, develop and market enabling technologies and system products for the transmission of voice data and fax communications over packet networks. The Group’s products are designed to enable the new voice infrastructure and are sold to original equipment manufacturers, network equipment providers, systems integrators and distributors in the telecommunications and networking industries.

The Company operates through its wholly-owned subsidiaries in the United States, United Kingdom, Germany, Argentina, Brazil, India and Korea.

b. Basis of presentation:

The accompanying condensed consolidated balance sheet as of June 30, 2006, the condensed consolidated statements of operations for the three and six month periods ended June 30, 2006 and 2005, and the condensed consolidated statements of cash flows for the six month periods ended June 30, 2006 and 2005 are unaudited. These unaudited interim condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the unaudited interim condensed consolidated financial statements include all adjustments of a normal recurring nature necessary for a fair presentation of the Group’s consolidated financial position as of June 30, 2006, its consolidated results of operations for the three and six month periods ended June 30, 2006 and 2005, and its consolidated cash flows for the six month periods ended June 30, 2006 and 2005. Operating results for the six and three month periods ended June 30, 2006 are not necessarily indicative of the results that may be expected for the year ending December 31, 2006. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company’s Annual Report on Form 20-F for the year ended December 31, 2005.

The condensed consolidated balance sheet at December 31, 2005 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

c. Acquisition of AudioCodes USA Inc. (formerly known as Ai-Logix Inc.):

On May 12, 2004, the Group acquired all of the outstanding Ordinary shares of AudioCodes USA Inc., a provider of advanced voice and data recording hardware integration cards for the call recording and voice or data logging industry. The Group has undertaken to apply AudioCodes USA Inc’s technology, strategic partnerships and customer base to expand its business into the call recording and computer telephony integration markets.

NOTE 1:- GENERAL (Cont.)

The Group paid $ 10,000 in cash at the closing of the transaction. An additional payment of $ 10,000 in cash was made in March 2005 based on the achievement of revenue milestones and additional terms by the AudioCodes USA Inc. business during 2004 and 2005. This payment was recorded as part of the acquisition cost as additional goodwill in accordance with the provisions of SFAS No. 141.

AudioCodes USA Inc. became a wholly-owned subsidiary of AudioCodes Inc. and accordingly, its results of operations have been included in the consolidated financial statements of the Group since the acquisition date.

This acquisition was accounted for under the purchase method of accounting in accordance with SFAS No. 141.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. Accounting policies:

The significant accounting policies followed in the preparation of these financial statements are identical to those applied in preparation of the latest annual financial statements, expect for note 2c.

b. 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.

c. Equity-based compensation expenses:

On January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), “Share-Based Payment,” (“SFAS 123(R)”) which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including employee stock options under the Company’s stock plans and employee stock purchases under the Employee Stock Purchase Plan (“employee stock purchases”) based on estimated fair values. SFAS 123(R) supersedes the Company’s previous accounting under Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees” (“APB 25”) for periods beginning in fiscal 2006. In March 2005, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 107 (“SAB 107”) relating to SFAS 123(R). The Company has applied the provisions of SAB 107 in its adoption of SFAS 123(R).

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company adopted SFAS 123(R) using the modified prospective transition method, which requires the application of the accounting standard as of January 1, 2006, the first day of the Company’s 2006 fiscal year. Under that transition method, compensation cost recognized in the six month period ended June 30, 2006, includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of Statement 123, and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of Statement 123(R). In accordance with the modified prospective transition method, the Company’s consolidated financial statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS 123(R).

As a result of adopting SFAS 123(R) on January 1, 2006, the Company’s income before taxes on income and net income for the six and three month periods ended June 30, 2006, were $ 3,887 and $ 1,836 lower, respectively, than if it had continued to account for share-based compensation under APB 25. Basic and diluted earnings per share for the six and three month periods ended June 30, 2006 were $ 0.08 and $ 0.04 lower, respectively, than if the Company had continued to account for share-based compensation under APB 25.

SFAS 123(R) requires companies to estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in the Company’s consolidated statement of operations. Prior to the adoption of SFAS 123(R), the Company accounted for equity-based awards to employees and directors using the intrinsic value method in accordance with APB 25 as allowed under Statement of Financial Accounting Standards No. 123, “Accounting for Stock-Based Compensation” (“SFAS 123”). Under the intrinsic value method, equity-based compensation expense was recognized in the Company’s consolidated statement of operations for the six and the three month periods ended June 30, 2005 amounted to $20 and $9, respectively.

The Company estimates the fair value of stock options granted using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model requires a number of assumptions, of which the most significant are, expected stock price volatility and the expected option term. Expected volatility was calculated based upon historical stock prices for a period equal to the expected option term. The expected option term represents the period that the Company’s stock options are expected to be outstanding and was determined based on the simplified method in accordance with SAB 107. The Company has historically not paid cash dividends and has no foreseeable plans to pay cash dividends. The risk-free interest rate is based on the yield from U.S. Treasury zero-coupon bonds with an equivalent term.

The Company recognizes compensation expense for the value of its awards, which have graded vesting, based on the accelerated attribution method over the requisite service period of each of the awards, net of estimated forfeitures. Estimated forfeitures are based on historical pre-vesting forfeitures.

U.S. dollars in thousands, except share and per share data (information as of June 30, 2006 and for the six and three month periods ended June 30, 2006 and 2005, is unaudited)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The fair value of stock purchase rights granted under the Company's ESPP is estimated on the date of grant using the Black-Scholes model. Volatility is based on the volatility of the Company's stock during the accrual period which is assumed to be 6 months. The Company uses historical data to estimate expected holding period and the U.S. Treasury yield for the risk-free interest rate for the contractual period.

The fair value of the Company's stock options granted to employees and directors for the six months ended June 30, 2006 and 2005 was estimated using the following weighted average assumptions:

	Six months ended June 30,	
	2006	2005
	Unaudited	
Risk free interest rate	5%	4%
Dividend yields	0%	0%
Volatility	0.6	0.8
Expected term (in years)	4.8	4
Forfeiture rate	4.9%	-

A summary of option activity under the Company's Stock Option Plan as of June 30, 2006 and changes during the six months ended June 30, 2006 are as follows:

	Number of options	Weighted-average exercise price	Weighted-average remaining contractual term (in years)	Aggregate intrinsic value
	Unaudited			
Outstanding at December 31, 2005	7,890,372	$ 9.38		
Granted	823,000	$ 11.09		
Exercised	1,113,291	$ 5.51		
Forfeited	137,875	$ 10.34		
Outstanding at June 30, 2006	7,462,206	$ 10.13	4.2	$ 22,346,458
Exercisable at June 30, 2006	4,185,189	$ 10.26	2.6	$ 17,062,177
Vested and expected to vest	7,096,558	$ 10.13	4.2	$ 21,251,482

U.S. dollars in thousands, except per share data (information as of June 30, 2006 and for the six and three month periods ended June 30, 2006 and 2005, is unaudited)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The weighted-average grant-date fair value of options granted during the six months ended June 30, 2006 was $ 6.25. The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the Company’s closing stock price on the last trading day of the second quarter of fiscal 2006 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on June 30, 2006. This amount changes based on the fair market value of the Company’s stock. Total intrinsic value of options exercised for the six months ended June 30, 2006 was $ 6.0 million. As of June 30, 2006, there was $ 11.8 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the Company’s stock option plans. That cost is expected to be recognized over a weighted-average period of 1.5 years. Total fair value of options vested during the six months ended June 30, 2006 was $ 2.0 million.

The pro forma table below reflects the Company’s stock based compensation expense, net income and basic and diluted earnings per share for the six months ended June 30, 2005, had the Company applied the fair value recognition provisions of SFAS 123, as follows:

	Six months ended June 30, 2005	Three months ended June 30, 2005
	Unaudited	
Net income as reported	$ 6,056	$ 3,093
Add - stock-based compensation expenses determined under the intrinsic value based method included in the reported net income	20	9
Deduct - stock-based compensation expenses determined under the fair value based method for all awards	(4,266)	(2,059)
Pro forma net income	$ 1,810	$ 1,043
Basic net earnings per share as reported	$ 0.15	$ 0.08
Diluted net earnings per share as reported	$ 0.14	$ 0.07
Pro forma basic net earning per share	$ 0.05	$ 0.03
Pro forma diluted net earning per share	$ 0.04	$ 0.02

For purpose of pro forma disclosures share-based compensation is amortized over the vesting period using the accelerated attribution method.

U.S. dollars in thousands (information as of June 30, 2006 and for the six and three month periods ended June 30, 2006 and 2005, is unaudited)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The following table presents the total share-based compensation charges included in the consolidated statement of operations:

	Six months ended June 30, 2006	Three months ended June 30, 2006
	Unaudited	
Cost of revenues	$ 252	$ 118
Research and development	1,366	658
Sales and marketing	1,594	741
General and administrative	675	319
Total	$ 3,887	$ 1,836

d. Recently issued accounting pronouncements:

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

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

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

FIN 48 is effective for fiscal years beginning after December 15, 2006. The cumulative effect of applying FIN 48 will be reported as an adjustment to the opening balance of retained earnings.

The Company is currently evaluating the effect of the adoption of FIN 48 on its financial statements.

U.S. dollars in thousands, except share data (information as of June 30, 2006 and for the six and three month periods ended June 30, 2006 and 2005, is unaudited)

NOTE 3:- INVENTORIES

Inventories are stated at the lower of cost or market value. Cost is determined as follows:

Raw materials – using the “average cost” method.

Finished products – using the “average cost” method with the addition of direct manufacturing costs.

The Group periodically evaluates the quantities on hand relative to current and historical selling prices and historical and projected sales volume and technological obsolescence. Based on these evaluations, inventory write-offs and write-down provisions are provided due to slow moving items, technological obsolescence, excess inventories, discontinued products and for market prices lower than cost.

	June 30, 2006	December 31, 2005
	Unaudited	
Raw material	$ 4,884	$ 4,598
Finished products	8,493	6,964
	$ 13,377	$ 11,562

NOTE 4:- GOODWILL

The Company has elected to perform its annual analysis of goodwill during the fourth quarter of the year. No indicators of impairment were identified during the six months ended June 30, 2006.

NOTE 5:- NET EARNINGS PER SHARE

Basic net earnings per share is computed based on the weighted average number of Ordinary shares outstanding during each period. Diluted net earnings per share is computed based on the weighted average number of Ordinary shares outstanding during each period, plus dilutive potential Ordinary shares considered outstanding during the period, in accordance with SFAS No. 128, “Earnings Per Share”.

Senior convertible notes and outstanding stock options have been excluded from the calculation of the diluted net earnings per Ordinary share since such securities are anti-dilutive for all periods presented. The total weighted average number of shares related to the senior convertible notes and outstanding options excluded from the calculations of diluted net earnings per share was 8,321,965 and 8,449,318 for the six months ended June 30, 2006 and 2005, respectively, and 8,368,949 and 8,774,317 for the three months ended June 30, 2006 and 2005, respectively.

NOTE 5:- NET EARNINGS PER SHARE (Cont.)

The following table sets fourth the computation of basic and diluted net earnings per share (in thousands):

	Six months ended June 30,		Three months ended June 30,	
	2006	2005	2006	2005
	Unaudited			
Numerator:				
Net income available to shareholders of Ordinary Shares	$ 5,530	$ 6,056	$ 3,253	$ 3,093
Denominator:				
Denominator for basic earnings per share - weighted average number of Ordinary shares, net of treasury stock	41,401	40,112	41,753	40,197
Effect of dilutive securities:				
Employee stock options and ESPP	2,688	3,092	2,488	2,662
Senior convertible notes	*) -	*) -	*) -	*) -
Denominator for diluted net earnings per share - adjusted weighted average number of shares	44,089	43,204	44,241	42,859

*) Antidilutive.

NOTE6:- COMPREHENSIVE INCOME

Total comprehensive income amounted to $ 6,031 and $ 3,840 for the six and three month periods ended June 30, 2006, respectively, and $ 5,457 and $ 2,757 for the six and three month periods ended June 30, 2005, respectively.

All differences from net income to total comprehensive income derived from unrealized gains and losses on forward contracts, net.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (information as of June 30, 2006 and for the six and three month periods ended June 30, 2006 and 2005, is unaudited)

NOTE 7:- MAJOR CUSTOMERS, GEOGRAPHIC INFORMATION AND PRODUCT LINES

a. Summary information about geographic areas:

The Group manages its business on the basis of one reportable segment. The data is presented in accordance with SFAS No. 131, “Disclosure About Segments of an Enterprise and Related Information”. Revenues in the table below are attributed to geographical areas based on the location of the end customers.

The following presents total revenues for the six and three month periods ended June 30, 2006 and 2005:

	Six months ended June 30,		Three months ended June 30,	
	2006	2005	2006	2005
	Unaudited			
Israel	$ 5,289	$ 5,691	$ 3,108	$ 2,646
Americas	37,441	30,602	18,872	14,705
Europe	13,571	11,655	7,393	6,956
Far East	8,328	7,511	3,922	4,224
	$ 64,629	$ 55,459	$ 33,295	$ 28,531

The following presents total long-lived assets as of June 30, 2006 and December 31, 2005:

	June 30, 2006	December 31, 2005
	Unaudited	
Israel	$ 5,981	$ 6,248
Americas	20,538	22,193
Europe	11	7
Far East	3	4
	$ 26,533	$ 28,452

b. Major customer’s data as a percentage of total revenues:

	Six months ended June 30,		Three months ended June 30,	
	2006	2005	2006	2005
	Unaudited			
Customer A	19%	14%	23%	14%

U.S. dollars in thousands (information as of June 30, 2006 and for the six and three month periods ended June 30, 2006 and 2005, is unaudited)

NOTE 7:- MAJOR CUSTOMERS, GEOGRAPHIC INFORMATION AND PRODUCT LINES (Cont.)

c. Product lines:

Total revenues from external customers divided on the basis of the Company's product lines are as follows:

	Six months ended June 30,		Three months ended June 30,	
	2006	2005	2006	2005
	Unaudited			
Technology	$ 32,863	$ 29,133	$ 15,316	$ 14,323
Networking	31,766	26,326	17,979	14,208
	$ 64,629	$ 55,459	$ 33,295	$ 28,531

NOTE 8:- SUBSEQUENT EVENTS –

a. Acquisition of Nuera Communications Inc. ("Nuera")

On July 6, 2006, the Group acquired all of the outstanding shares of Nuera, which develops, manufactures and sells carrier-class telephony systems that enable cable operators and other communication service providers to deliver voice services using internet protocol and other data networking protocols over any transport medium.

Total consideration for the transaction amounted to $83.2 million in cash plus transaction costs in the amount of $2.2 million. An additional payment is required to be made up to $5 million if Nuera achieves certain revenue milestones and additional terms during and the first 12 months after consummation of the transaction.

Upon the consummation of the acquisition, Nuera became a wholly-owned subsidiary of AudioCodes Inc. and accordingly, its results of operations will be included in the consolidated financial statements of the Group from the acquisition date.

b. Acquisition of Netrake Corporation Inc. ("Netrake"):

On August 14, 2006, the Group acquired all outstanding shares of Netrake, a leading provider of session border controllers ("SBC") and security gateway solutions. SBCs enable connectivity, policies and security for real-time sessions such as VoIP and video when traversing IP to IP networks. Security Gateways enable secure real-time sessions across wifi, broadband and wireless networks in fixed mobile convergence deployments.

NOTE 8:- SUBSEQUENT EVENTS (Cont.)

Total consideration for the transaction amounted to $10 million in cash plus transaction costs of $0.8 million. Upon the consummation of the acquisition, Netrake became a wholly-owned subsidiary of AudioCodes Inc. and accordingly, its results of operations will be included in the consolidated financial statements of the Group from the acquisition date.

Exhibit 2

OPERATING RESULTS AND FINANCIAL REVIEW IN CONNECTION WITH THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2006.

You should read this discussion with the consolidated financial statements and other financial information included in our Annual Report on Form 20-F for the year ended December 31, 2005 and our interim condensed consolidated financial statements as of and for the six months ended June 30, 2006 attached as Exhibit 1 to this Report on Form 6-K filed with the Securities and Exchange Commission on September 27, 2006.

Statements in this Report on Form 6-K concerning our business outlook or future economic performance; anticipated revenues, expenses or other financial items; 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 the United States 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. Factors that could cause or contribute to such differences include, but are not limited to, those set forth under “Risk Factors” in our Annual Report on Form 20-F for the year ended December 31, 2005, as well as those discussed elsewhere in that Annual Report and in our other filings with the Securities and Exchange Commission.

Overview

We design, develop and market enabling technologies and system products for the transmission of voice data and fax over packet networks. Newly developed equipment based on advanced voice communications standards enables packet networks to carry voice and data more efficiently and at a lower cost than traditional telephone networks by using substantially less network capacity. Our products are designed to enable our customers to build packet voice networking equipment that provides comparable communication quality to that of traditional telephone networks. Our communication boards are the building blocks for connecting traditional telephone networks with packet voice networks and provide high performance and large capacity on open telecommunications platform-based gateways. We have continued to broaden our offerings as we have expanded in the last few years from selling chips to boards, subsystems, media gateway systems and media servers.

Our headquarters are located in Israel with an R&D extension in the U.S.. We have other offices located in the United States, Europe, the Far East, and Latin America.

In the six months ended June 30, 2006, one customer, Nortel Networks, accounted for 19.2% of our total revenues compared to 14.2% of our revenues in the same period in 2005. Based on our experience, we expect that our largest customers may change from period to period. If we lose a large customer and fail to add new customers to replace lost revenue, our operating results may be materially adversely affected.

Revenues based on the location of our customers for three months and six months ended June 30, 2006 and 2005 are as follows:

	Three months ended June 30, 2006	Three months ended June 30, 2005	Six months ended June 30, 2006	Six months ended June 30, 2005
Americas	56.7%	51.5%	57.9%	55.2%
Europe	22.2	24.4	21.0	21.0
Far East	11.8	14.8	12.9	13.5
Israel	9.3	9.3	8.2	10.3
Total	100.0%	100.0%	100.0%	100.0%

Part of our strategy involves the acquisition of complementary businesses and technologies. On July 6, 2006, we acquired Nuera Communication Inc. (“Nuera”) for a purchase price of $83.2 million in cash, plus transaction expenses in the amount of approximately $2.2 million. We are also required to make an additional earn out payment of up to $5 million if Nuera achieves certain revenue milestones and additional terms during the first 12 months after consummation of the transaction. Nuera develops, manufactures and sells carrier-class telephony systems that enable cable operators and other communication service providers to deliver voice services using internet protocol and other data networking protocols over any transport medium.

On August 14, 2006, we acquired Netrake Corporation Inc. (“Netrake”) for a purchase price of $10 million in cash, plus transaction expenses in the amount of approximately $0.8 million. Netrake is a leading provider of session border controllers, or SBCs, and security gateway solutions. SBCs enable connectivity, policies and security for real-time sessions such as Voice over Internet Protocol and video when transversing IP to IP networks. Security gateways enable real-time sessions across wifi, broadband and wireless networks in fixed mobile convergence deployments.

Results of Operations

The following table sets forth the percentage relationships of certain items from our consolidated statements of operations, as a percentage of total revenues for the periods indicated:

	Three months ended June 30, 2006	Three months ended June 30, 2005	Six months ended June 30, 2006	Six months ended June 30, 2005
Statement of Operations Data:				
Revenues	100.0%	100.0%	100.0%	100.0%
Cost of revenues	40.7	40.8	40.6	40.7
Gross profit	59.3	59.2	59.4	59.3
Operating expenses:				
Research and development, net	21.8	21.4	22.5	21.2
Selling and marketing	24.3	22.6	25.0	22.2
General and administrative	5.7	5.0	5.7	5.1
Total operating expenses	51.8	49.0	53.3	48.6
Operating income	7.5	10.2	6.1	10.7
Financial income, net	3.7	1.9	3.6	1.6
Equity in losses of affiliated companies	0.6	0.8	0.6	0.8
Income before taxes on income	10.6	11.4	9.2	11.4
Taxes on income, net	0.8	0.5	0.6	0.5
Net income	9.8%	10.8%	8.6%	10.9%

Revenues. Our revenues increased by 16.7% to $33.3 million in the second quarter of 2006 from $28.5 million in the second quarter of 2005. Revenues in the first half of 2006 increased by 16.5% to $64.6 million from $55.5 million for the same period of 2005. The increase in revenues during the six months ended June 30, 2006, was primarily due to an increase of $6.8 million in sales in the United States, as well as an increase of $1.9 million in sales in Europe.

Gross Profit. Our cost of revenues includes the manufacturing cost of hardware, quality assurance, overhead related to manufacturing activity and technology licensing fees payable to third parties. Gross profit as a percentage of revenues were 59.3% for the second quarter of 2006 compared to 59.2% for the second quarter of 2005. Gross profit as a percentage of revenues were 59.4% for the six months ended June 30, 2006 compared to 59.3% for the same period in 2005.

Research and Development Expenses, net. Our net research and development expenses consist primarily of compensation and related costs of employees engaged in ongoing research and development activities, development-related raw materials and the cost of subcontractors. Our net research and development expenses increased by 18.9% to $7.3 million in the second quarter of 2006 from $6.1 million in the second quarter of 2005 and by 23.6% to $14.5 million in the six months ended June 30, 2006 from $11.8 million in the same period in 2005. As a percentage of revenues, these expenses increased to 21.8% in the three months ended June 30, 2006 from 21.4% in the same period in 2005, and to 22.5% in the six months ended June 30, 2006 from 21.2% in the same period in 2005. The increase, both in dollars and as a percentage of our revenues, was primarily attributable to expenses related to equity-based compensation resulting from the adoption of SFAS 123(R). Equity-based compensation expenses allocated to research and development expenses amounted to $0.7 million for the second quarter of 2006 and $1.4 million for the first six months of 2006. The increase in net research and development expenses was also due to hiring of additional research and development personnel and to our continued development of new products. We expect that research and development expenses will continue to increase in absolute dollar terms as a result of our continued development of new products, as well as due to the inclusion of the operations of Nuera and Netrake in our results of operations.

Selling and Marketing Expenses. Our selling and marketing expenses consist primarily of compensation for selling and marketing personnel, as well as exhibition, travel and related expenses. Our selling and marketing expenses increased by 25.6% to $8.1 million in the second quarter of 2006 from $6.5 million in the second quarter of 2005 and by 31.2% to $16.2 million in the six months ended June 30, 2006 from $12.3 million for the same period in 2005. As a percentage of revenues, these expenses increased to 24.3% in the three months ended June 30, 2006 from 22.6% in the same period in 2005, and to 25.0% in the six months ended June 30, 2006 from 22.2% in the same period in 2005. The increase, both in dollars and as a percentage of our revenues, was primarily attributable to expenses related to equity-based compensation resulting from the adoption of SFAS 123(R). Equity-based compensation expenses allocated to selling and marketing expenses amounted to $0.7 million for the second quarter of 2006 and $1.6 million for the first six months of 2006. The increase in these expenses was also due to an increase in selling and marketing personnel and associated expenses. We expect that selling and marketing expenses will continue to increase in absolute dollar terms as a result of an expected increase in our sales force and marketing activities, as well as due to the inclusion of the operations of Nuera and Netrake in our results of operations.

General and Administrative Expenses. Our general and administrative expenses consist primarily of compensation for finance, human resources and general management, rent, network and information systems and bad debt reserve, as well as insurance and professional services expenses. Our general and administrative expenses increased by 31.6% to $1.9 million in the second quarter of 2006 from $1.4 million in the second quarter of 2005 and by 29.9% to $3.7 million in the six months ended June 30, 2006 from $2.8 million in the same period in 2005. As a percentage of revenues, these expenses increased to 5.7% in the three months ended June 30, 2006 from 5.0% in the same period in 2005, and to 5.7% in the six months ended June 30, 2006 from 5.1% in the same period in 2005. The increase, both in dollars and as a percentage of our revenues, was primarily attributable to expenses related to equity-based compensation resulting from the adoption of SFAS 123(R). Equity-based compensation expenses allocated to general and administrative expenses amounted to $0.3 million for the second quarter of 2006 and $0.7 million for the first six months of 2006. The increase in these expenses was also due to an increase in general and administrative personnel. We expect that general and administrative expenses will continue to increase in absolute dollar terms as a result of the initial implementation of internal controls and procedures required to comply with Section 404 of the Sarbanes-Oxley Act of 2002 as well as due to the inclusion of the operations of Nuera and Netrake in our results of operations.

Financial Income, Net. Our financial income consists primarily of interest derived on cash and cash equivalents, short-term and long-term marketable securities, short-term and long- term bank deposits and structured notes, net of interest accrued in connection with our senior convertible notes and bank charges. Our financial income, net, was $1.2 million during the second quarter of 2006 compared to $0.5 million for the same period of 2005. For the six months ended June 30, 2006, our financial income, net, was $2.4 million as compared to $0.9 million during the same period in 2005. The increase in financial income, net, was due to an increase in our cash, and due to higher interest rates on our short-term deposits and on our marketable securities. We expect that our financial income, net for the second half of 2006 will be lower than for the first half of 2006 as a result of the use of a portion of our cash to acquire Nuera and Netrake.

Equity in Losses of Affiliated Companies. Our equity in losses of affiliated companies was the same in the second quarter of 2006 and 2005. For the six months ended June 30, 2006, our equity in losses of affiliated companies was $0.4 as compared to $0.5 million for the same period of 2005. We believe that the products being developed by the affiliated companies may enable us to enter new markets and to offer new products.

Taxes on income Our effective tax rate was 7.4% during the second quarter of 2006 compared to 4.6% for the same period of 2005. For the six months ended June 30, 2006, our effective tax rate was 6.5% as compared to 4.5% during the same period in 2005. These relatively low tax rates were mainly achieved as a result of the Approved Enterprise status granted to our production facilities in Israel.

LIQUIDITY AND CAPITAL RESOURCES

We have financed our operations from the remaining proceeds from prior public offerings of our Ordinary shares and the net proceeds of approximately $120.2 million from a private placement in November 2004 of $125.0 million aggregate principal amount of our 2.00% Senior Convertible Notes due 2024. As of June 30, 2006, we had $190.9 million in cash and cash equivalents, short-term marketable securities, short-term bank deposits and structured notes and $41.9 million in long-term marketable securities, long-term bank deposits and structured notes.

We used $85.4 million of our cash in July 2006 in connection with the acquisition of Nuera and an additional $10.8 million of our cash in August 2006 in connection with the acquisition of Netrake.

Our operating activities provided cash in the amount of $8.3 million in the first half of 2006, primarily due to our net income of $5.5 million, $3.9 million in stock-based compensation expenses, $1.7 million of depreciation expenses and an increase of $1.0 million in trade payables, which were partially offset by increase of $2.0 million in our trade receivables and $1.8 million in our inventories.

In the first half of 2006, our investing activities provided cash in the amount of $21.9 million due to proceeds from bank deposits of $23.0 million and from marketable securities of $2.0 million offset by investments in companies of $2.1 million and capital expenditures. Our capital expenditures were $1 million in the first half of 2006. The majority of our capital expenditures were for testing equipment, an enterprise resources planning system, computers, peripheral equipment, software, office furniture and leasehold improvements. We used working capital to finance these expenditures.

In the first half of 2006, our financing activities provided $7.4 million, from the issuance of shares upon exercise of options and the sale of shares under our Employee Stock Purchase Plan.

We believe that our current working capital is sufficient to meet our present cash requirements to operate our business. Part of our strategy is to pursue acquisition opportunities. We used a significant amount of our cash resources in connection with the acquisitions of Nuera and Netrake. If we do not have available sufficient cash to finance our operations and to make additional acquisitions, we may be required to obtain additional debt or equity financing. We cannot be certain that we will be able to obtain, if required, additional financing on acceptable terms or at all.