

SECURITIES AND EXCHANGE COMMISSION

FORM 6-K

Current report of foreign issuer pursuant to Rules 13a-16 and 15d-16 Amendments

Filing Date: **2001-08-03** | Period of Report: **2001-08-03**  
SEC Accession No. **0000927016-01-502150**

([HTML Version](#) on [secdatabase.com](#))

FILER

**VIRYANET LTD**

CIK: **1119744** | Fiscal Year End: **1231**  
Type: **6-K** | Act: **34** | File No.: **000-31513** | Film No.: **1696895**  
SIC: **7372** Prepackaged software

Business Address  
5 KIRYAT HAMADA STREET  
PO BOX 23052, HAR  
HOTZVIM, ISRAEL  
JERUSALEM 91230  
5084908600

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer  
Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934

For the month of August, 2001

ViryaNet Ltd.  
(Translation of registrant's name into English)

5 Kiryat Hamada Street  
Science Based Industries Campus  
P.O. Box 23052, Har Hotzvim  
Jerusalem 91230, 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 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 is the Company's press release, issued August 1, 2001, entitled "ViryaNet Reports Strong Sequential Results in Second Fiscal Quarter 2001."

SIGNATURES

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

VIRYANET LTD.

Date: August 3, 2001

By: /s/ Winfried A. Burke

-----  
Name: Winfried A. Burke  
Title: President and Chief Executive  
Officer

3

Exhibit Index

Exhibit No. -----	Description -----
99.1	Press release issued by the Company on August 1, 2001 entitled "ViryaNet Reports Strong Sequential Results in Second Fiscal Quarter 2001."

4

FOR IMMEDIATE RELEASE

## CONTACTS:

Albert Gabrielli  
ViryaNet  
508-490-8600, ext 3038  
albert.gabrielli@viryanet.com  
-----

Jack McAvoy  
ViryaNet  
508-490-8600, ext 3090  
jack.mcavoy@viryanet.com  
-----

## VIRYANET REPORTS STRONG SEQUENTIAL RESULTS IN SECOND FISCAL QUARTER 2001

## Company's Path to Profitability Clearly Defined

SOUTHBOROUGH, MASS. -- AUGUST 1, 2001 -- ViryaNet (NASDAQ: VRYA), a leading provider of wireless workforce management solutions for field service communities, today announced financial results for its second fiscal quarter 2001.

Total revenues were \$5.2 million for the second fiscal quarter, ended June 30, 2001. This was an increase of 14 percent from \$4.6 million recorded in the first quarter ended March 31, 2001, and a decrease of 17 percent from \$6.3 million recorded in the second quarter of 2000, due largely to the change in business climate and overall economic conditions.

Software license revenues for the second quarter of 2001 were \$3.2 million, an 11 percent increase from \$2.9 million in the previous quarter. Revenues from services and maintenance increased to \$2.0 million, a 20 percent increase from \$1.7 million in the previous quarter.

The Company reported gross margins of 54 percent for the second quarter of 2001, compared with 48 percent in the first quarter of 2001. Overall, the sequential improvement in gross margins is primarily attributable to the growth in overall revenues of 14 percent and reduction in the use of contractors to deliver professional services, offset by higher royalty costs due to an increase in third-party software license content.

ViryaNet Reports Strong Sequential Results in Second Fiscal Quarter 2001 -  
Page 2

The Company reported a net loss for the second quarter of \$4.9 million, or a net loss of \$0.23 per basic and diluted share, compared with a net loss of \$7.6 million, or a net loss of \$0.35 per basic and diluted share in the first quarter of 2001, and a net loss of \$3.0 million, or a net loss of \$1.10 per basic and diluted share in the second quarter of 2000.

The sequential improvement in net loss for Q2 2001 compared with Q1 2001 is attributable to the improvement in gross margins and reductions in operating expenses of \$1.3 million, excluding one-time charges. The operating expense savings are attributable to the significant headcount actions taken in April along with a reduction in program spending and other discretionary expenses.

During the second quarter of 2001, the Company incurred an additional one-time charge of approximately \$500,000 for severance expenses related to further headcount reductions taken at the end of Q2 of approximately 20 percent. Excluding these one-time charges, net loss for the second quarter of 2001 was \$4.4 million or a net loss of \$0.20 per basic and diluted share.

"The ViryaNet team has refused to give in to today's difficult market conditions, unlike competitors in our space that have closed few, if any, new sales. We fought hard, and, with great determination, brought in new deals and sold additional offerings to existing customers," said Win Burke, president and CEO, ViryaNet. "In Q2, we attained sequential quarter revenue growth of 14 percent over Q1 2001. In addition, we are reporting financial results that are consistent with the guidance that we provided during our last earnings call, and which exceeded analyst expectations."

"In the second quarter, we adjusted our business plan," continued Mr. Burke. "We reduced costs, we restructured our workforce, we posted strong results, and we brought forward our goal to achieve break-even profitability from Q1 of 2002 to Q4 of 2001."

## SECOND QUARTER ACCOMPLISHMENTS

The second quarter included strategic deals with several new companies,

including Viasource, which selected ViryaNet Service Hub to extend the range of installation and maintenance services that it provides to its telecommunications and high-technology clients and improve the quality and efficiency of its operations; CAL-AIR, an HVAC facilities contractor, which selected ViryaNet Service Hub to transition its service business to the Internet, increase the

ViryaNet Reports Strong Sequential Results in Second Fiscal Quarter 2001 -  
Page 3

productivity and responsiveness of its field service organization, and deliver Internet-based, next-generation customer service; Abentel, a company in Spain that performs installation and maintenance services for telecommunication and utility companies; and EZ Analysis, a reseller and systems integration firm and a ViryaNet partner in Europe that services the workforce management market.

The Company also received follow-on orders from several of its existing customers, including Verizon Avenue, which purchased ViryaNet Service Supply Chain application to add to its live implementation of Service Hub; Teraoka, in Japan, which purchased license upgrades for its installation; and Citizens Communications, the Company's largest customer for wireless workforce management, which booked additional licenses for their expanding installation.

This quarter also saw developments in the Company's strategic partnerships, including Amdocs, Micromuse, EZ Analysis, and Xelus.

Amdocs, a major player in the telecommunications industry has become a ViryaNet reseller and systems integrator; Amdocs and ViryaNet have co-developed an interface between ViryaNet Service Hub and Amdocs' Ensemble customer care and billing platform. Micromuse, the leading vendor of network management applications for the telecommunications industry, and ViryaNet have entered into a marketing alliance and developed an interface between ViryaNet Service Hub and Micromuse's Netcool(R) application. EZ Analysis is a European reseller and systems integration firm, mentioned earlier. The Company's relationship with Xelus, which was established in Q1, saw significant accomplishment during the quarter as both companies began investing in integrating their respective solutions, training staff, and preparing joint marketing programs around Xelus' new Enterprise Service Management (ESM) initiative; with Xelus, the Company's goal is to expand its reach into other markets, such as aviation and automotive.

ViryaNet experienced multiple "go live" implementations during the quarter, including Citizens Communications, ITC DeltaCom, Lockheed, and Verizon Avenue. "These successful implementations underscore our commitment to the highest level of customer satisfaction, leading to showcase accounts to which we can reference our prospects," continued Mr. Burke.

ViryaNet Reports Strong Sequential Results in Second Fiscal Quarter 2001 -  
Page 4

#### WORKFORCE REDUCTION AND REASSIGNMENT

The Company took efforts to reduce its costs in both April and June. The combination of these actions has reduced headcount, including contractors, by approximately 40 percent since the end of the first quarter of 2001.

"The result of these actions and other expense reductions will provide a combined savings of approximately \$3.5 million on a quarterly basis, with the full benefit of these savings occurring in the fourth quarter of 2001," stated ViryaNet CFO Al Gabrielli.

"These actions were driven by our goal to bring forward break-even operating profitability from Q1 2002, as indicated in our previous guidance, to Q4 2001, and ensure that our future cash requirements could be met without the use of external funds," said Al Gabrielli, CFO, ViryaNet.

#### BUSINESS OUTLOOK

ViryaNet's review of the business outlook indicates that revenue for the third quarter of 2001 is expected within a range of \$5.5 million and \$6.0 million, with expectations for the fourth quarter within a range of \$6.5 million and \$7.0 million. Net loss per share in the third quarter is expected within a range of \$0.07 and \$0.09, while earnings per share in the fourth quarter are expected to be approximately at the break-even level.

The Company's cash position at June 30, 2001 was \$14.2 million, including drawdowns on the Company's line of credit. Excluding the drawdowns on the line of credit, the Company's cash position was \$10.6 million. "Our cash management this quarter was better than expected because second quarter expense controls were achieved sooner than planned and our cash collections progress was facilitated by the number of successful "go live" events during the quarter,"

said Gabrielli. "With these additional cost reductions and headcount actions taken at the end of the quarter, we believe that we will have sufficient cash to take us through to profitability without the use of external funds."

ABOUT VIRYANET

ViryaNet is a provider of enterprise and mid-market wireless workforce management solutions for field service communities. These solutions enable field service organizations to efficiently schedule and dispatch field service personnel, capture and record logistics and labor activity, and monitor, report,

ViryaNet Reports Strong Sequential Results in Second Fiscal Quarter 2001 - Page 5

and measure this activity -- meeting an organization's installation, preventative maintenance, and break-fix obligations. ViryaNet's wireless workforce management solution supports wireless devices over standard wireless networks.

ViryaNet's solutions integrate with popular front- and back-office applications. ViryaNet's professional services team and implementation partners enable deployment of the Company's solutions for wireless workforce management.

SAFE HARBOR STATEMENT

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: The statements contained in this press release that are not purely historical are forward-looking statements within the meaning of Section 21E of the Securities and Exchange Act of 1934, as amended, including statements regarding ViryaNet's expectations, beliefs, intentions, or strategies regarding the capabilities of its products, its relationships with its customers, its customer purchases, its future operational plans and objectives, its future business prospects, its future financial performance, and its future prospects for profitability. All forward-looking statements included in this document are based upon information available to ViryaNet Ltd. as of the date hereof, and ViryaNet Ltd. assumes no obligation to update any such forward-looking statements. Forward-looking statements involve risks and uncertainties, which could cause actual results to differ materially from those projected. These and other risks relating to ViryaNet's business are set forth in ViryaNet's Form F-1, as amended, declared effective by the SEC on September 19, 2000, and the other reports filed from time to time with the Securities and Exchange Commission.

###

ViryaNet Reports Strong Sequential Results in Second Fiscal Quarter 2001 - Page 6

VIRYANET LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

<TABLE>  
<CAPTION>

	JUNE 30, 2001 UNAUDITED	DECEMBER 31, 2000 AUDITED
	U.S. DOLLARS IN THOUSANDS	
	<C>	<C>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$14,214	\$21,838
Trade receivables (net of allowance for doubtful accounts- \$632 in 2001 and \$37 in 2000)	6,845	6,190
Other accounts receivable and prepaid expenses	1,800	2,960
Total current assets	22,859	30,988
SEVERANCE PAY FUND	1,021	945
PROPERTY AND EQUIPMENT, NET	3,187	2,907
	\$27,067	\$34,840

</TABLE>

VIRYANET LTD. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

<TABLE> <S>	<C> JUNE 30, 2001 UNAUDITED	<C> DECEMBER 31 2000, AUDITED
	----- U.S. DOLLARS IN THOUSANDS -----	
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term bank credit	\$ 3,661	\$ 145
Trade payables	3,334	2,449
Deferred revenues	1,914	1,956
Other accounts payable and accrued expenses	5,520	5,312
	-----	-----
Total current liabilities	14,429	9,862
	-----	-----
ACCRUED SEVERANCE PAY	1,814	1,797
	-----	-----
SHAREHOLDERS' EQUITY:		
Share capital	611	610
Additional paid-in capital	98,353	98,328
Accumulated other comprehensive loss	(441)	(288)
Deferred stock compensation	(298)	(604)
Accumulated deficit	(87,401)	(74,865)
	-----	-----
Total shareholders' equity	10,824	23,181
	-----	-----
	\$ 27,067	\$ 34,840
	=====	=====

</TABLE>

VIRYANET LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE> <CAPTION>	THREE MONTHS ENDED JUNE 30,	
	----- UNAUDITED -----	
<S>	<C> 2001	<C> 2000
	----- U.S. DOLLARS IN THOUSANDS ----- (EXCEPT PER SHARE DATA) -----	
Revenues:		
Software licenses	\$ 3,218	\$ 3,754
Maintenance and services	1,989	2,503
	-----	-----
Total revenues	5,207	6,257
	-----	-----
Cost of revenues:		
Software licenses	620	109

Maintenance and services	1,764	1,902
	-----	-----
Total cost of revenues	2,384	2,011
	-----	-----
Gross profit	2,823	4,246
	-----	-----
Operating expenses:		
Research and development	2,097	1,687
Sales and marketing	4,593	4,199
General and administrative	1,020	945
Amortization of deferred stock compensation	69	248
	-----	-----
Total operating expenses	7,779	7,079
	-----	-----
Operating loss	(4,956)	(2,833)
Financial income (expenses), net	42	(137)
	-----	-----
Net loss	\$ (4,914)	\$ (2,970)
	=====	=====
Basic and diluted net loss per share	\$ (0.23)	\$ (1.10)
	=====	=====
Weighted average number of shares used in computing basic and diluted net loss per share	21,710,988	2,708,584
	=====	=====

</TABLE>