

NICE SYSTEMS LTD
Form 6-K
February 04, 2004
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 February 4, 2004

NICE-SYSTEMS LTD.

(Translation of Registrant's Name into English)

8 Hapnina Street, P.O. Box 690, Ra'anana, 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 this Form 6-K in paper as permitted by Regulations S-T Rule 101(b)(1):

Yes No

-

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

Yes No

Indicate by check mark whether by furnishing the information contained in this Form 6-K, the Registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicate below the file number as-signed to the Registrant in connection with Rule 12g3-2(b): 82-N/A

THIS REPORT ON FORM 6-K IS HEREBY INCORPORATED BY REFERENCE INTO NICE-SYSTEMS LTD.'S ("NICE") REGISTRATION STATEMENTS ON FORM F-3 (REGISTRATION STATEMENT NOS. 333-12350 AND 333-12996) AND NICE'S REGISTRATION STATEMENTS ON FORM S-8 (REGISTRATION STATEMENT NOS. 333-6784, 333-8146, 333-9350, 333-11842, 333-7414, 333-9352, 333-11154 , 333-13686, 333-111112 ,333-111113 AND 333-109766), AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS SUBMITTED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

CONTENTS

This Report on Form 6-K of NICE consists of the following documents, which are attached hereto and incorporated by reference herein:

Press Release: NICE SYSTEMS REPORTS FOURTH QUARTER AND
FULL YEAR 2003 RESULTS

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.

NICE-SYSTEMS LTD.

By: /s/ Daphna Kedmi

Name: Daphna Kedmi

Title: Corporate Vice President

General Counsel

Dated: February 4, 2004

NICE SYSTEMS REPORTS FOURTH QUARTER AND FULL YEAR 2003 RESULTS

Highlights:

- . Record quarterly revenue with record net income, excluding special charges***
- . Q4 record revenue up 10% sequentially; 24% year-over-year increase***
- . Q4 gross margin improved to 55.5%***
- . Q4 GAAP EPS of \$0.11; excluding charges, EPS was \$0.39***

- ***FY 2003 revenue increased 44%***
- ***FY 2003 GAAP EPS of \$0.42; excluding charges, EPS was \$0.83***
- ***FY 2003 operating cash flow of \$38.2M; year end 2003 cash and equivalents of \$107M.***

Ra'anana, Israel, February 4, 2004 - NICE Systems (NASDAQ: NICE), a worldwide leader of multimedia recording solutions, applications and related professional services for business interaction management, today announced results for the quarter and full year ending December 31, 2003.

Fourth quarter non-GAAP revenue, which includes COMINT/DF revenue, was \$63.2 million and within the range of the Company's previous guidance. In accordance with GAAP, all periods have been adjusted to restate the net revenues and expenses of the COMINT/DF as a discontinued operation, after an agreement to sell the net assets of this operation was signed during Q4. As a result, fourth quarter GAAP revenue was \$61.7 million, a 10% sequential increase from \$55.9 million in the third quarter of 2003, and a 24% increase from the fourth quarter of 2002.

On a GAAP basis, net income was \$1.9 million, or \$0.11 per fully diluted share, compared with net income of \$3.5 million, or \$0.21 per share, on a fully diluted basis, in the third quarter of 2003. In the fourth quarter of 2002, GAAP net loss was \$33.3 million, or \$2.22 per share.

Excluding restructuring and settlement charges, non-GAAP net income in the fourth quarter was \$7.0 million, or \$0.39 per fully diluted share, compared with net income of \$4.0 million, or \$0.24 per fully diluted share in the third quarter of 2003, and a net loss of \$0.7 million, or \$0.05 per fully diluted share, in the year earlier period. Non-GAAP earnings per share from continuing operations was \$0.37 in the fourth quarter and \$0.74 for the full year.

Commenting on the quarterly results, Haim Shani, president and CEO of NICE said, "We had a strong finish to 2003, with revenue and net income before special charges reaching record levels. The 10.5% sequential increase in Q4 revenue represents growth in all parts of our business and across all regions. Our continued improvement in gross margin reflects improvement in both product and services margins."

Gross margin in the fourth quarter reached 55.5%, up from 53.0% in the third quarter of 2003 and 48.7% in the fourth quarter a year ago. Operating expenses, excluding restructuring and settlement costs, increased slightly to \$27.5 million but declined as a percent of revenue to 44.6% compared with 48.0% in the third quarter of 2003 and 50.4% in the fourth quarter of 2002. On a GAAP basis, the company reported operating income of \$1.4 million for the fourth quarter. However, excluding the cost of restructuring and costs associated with the settlement of a lawsuit, NICE had a non-GAAP operating profit of \$6.7 million.

Balance Sheet

Total cash and equivalents at December 31, 2003 rose to \$107.3 million compared with \$93.2 million at September 30, 2003 and compared with \$68.6 million at the end of 2002. Net operating cash flow from continuing operations was \$11.3 million in the fourth quarter. DSO at year end was 74 days compared with 70 days at the end of the third quarter. DSO at the end of 2002 was 112 days. The improvement during the year reflects aggressive working capital management.

CEO`s Analysis of 2003 Results

"2003 has been a year of significant achievement", said Mr. Shani, "We grew our revenue by 44% and reported gross margin that was more than five margin points higher than 2002. We achieved record profitability on a non-GAAP basis and generated more than \$38 million in operating cash flow for the year."

"The integration of the TCS acquisition was achieved smoothly and quickly and enabled us to leverage the ex-TCS customer base and channel relationships. During the year, we were able to capitalize on the growing trend toward VoIP in both contact centers and financial trading floors and we are the leader in VoIP recording. We also completed the development of important content analytics applications for both voice and video and have received very positive feedback from customers evaluating these new products."

"We also strengthened our strategic partnerships during the course of the year. Our relationship with Motorola in the public safety market has been expanded and formalized via a joint development and marketing agreement, and we recently announced that we will be working closely with IBM to pursue opportunities in both the enterprise and security markets."

"Finally, we improved our business focus by withdrawing from the COMINT/DF business by agreeing to sell the assets and we are shifting our resources to high-potential projects. Now, we look forward to a new set of challenges in 2004 as we set about transforming our business from primarily a product-focused company selling recording platforms and quality monitoring software to a solution-focused company selling enterprise-wide business performance solutions based on data from unstructured multimedia interactions. We will pursue this evolutionary process while maintaining our leadership in our core recording and quality monitoring business and while we also introduce new value-added applications in the security business."

Outlook

Commenting on the outlook, Mr. Shani said, "We expect normal seasonality in Q1 2004 with revenue of between \$58 and \$60 million, a 12-16% increase from the adjusted \$51.8 million in Q1 2003, with EPS between \$0.12 and \$0.14."

"We continue to execute on our strategic plan. We expect to accelerate our investment in customer-facing activities and partnerships during the first half of 2004 and to realize the benefits in the second-half of the year and more significantly in 2005. For all of 2004, we expect to see 10-15% growth in revenues from the \$224 million reported in 2003 and a 50-60% increase from 2003 EPS from continuing operations of \$0.74 to between \$1.10 and \$1.20 per

share for 2004".

Conference Call

NICE will host a conference call to discuss these topics today at 8:30 a.m. EST (15:30 Israel). The call will be broadcast live on the internet via NICE`s website at www.nice.com. A telephone replay will be available for up to 72 hours after the call. The replay information: US Toll-free: 1-866-500-4953; International: ++ 972-3-925-5950; Israel: 03-925-5950.

About NICE

NICE Systems (NASDAQ: NICE) headquartered in Ra'anana, Israel, is a worldwide leader of multimedia digital recording solutions, applications and related professional services for business interaction management. NICE products and solutions are used in contact centers, trading floors, air traffic control (ATC) sites, CCTV (closed circuit television) security installations and government markets. NICE's synergistic technology platform enables customers to capture, evaluate and analyze business interactions in order to improve business processes and gain competitive advantage. NICE's subsidiaries and local offices are based in the United States, Germany, United Kingdom, France and Hong Kong. The company operates in more than 100 countries through a network of partners and distributors.

NICE's worldwide clients include: ABN Amro, Bank of England, Boston Communications, Compaq Computer Corporation, Deutsche Bank, Dresdner Bank, Emeraude Group, US Federal Aviation Administration, Hong Kong Airport, Japan Ministry of Transport, Los Angeles Police Department, MicroAge Teleservices, NAV Canada, New York Police Department, Nokia, SNT Group, Software Spectrum and Sydney Airport (NICE Web Site: www.nice.com).

Trademark Note: 360° View, Agent@home, Big Picture Technology, Executive Connect, Executive Insight, Experience Your Customer, Investigator, Lasting Loyalty, Listen Learn Lead, MEGACORDER, Mirra, My Universe, NICE, NiceAdvantage, NICE Analyzer, NiceCall, NiceCLS, NiceCMS, NICE Feedback, NiceFix, NiceGuard, NICE Learning, NICE Link, NiceLog, ScreenSense, NiceScreen, NiceSoft, NICE Storage Center, NiceTrack, NiceUniverse, NiceUniverse LIVE, NiceVision, NiceVision Harmony, NiceVision Mobile, NiceVision Pro, NiceVision Virtual, NiceWatch, Renaissance, Secure Your Vision, Tienna, Wordnet and other product names and services mentioned herein are trademarks and registered trademarks of NICE Systems Ltd. All other registered and unregistered trademarks are the property of their respective owners.*

** In Australia only*

| | | |
|--------------|--------------|----------------|
| Media | | |
| Tania Amar | NICE Systems | 972-9-775-3896 |

| | | |
|------------------|--|--------------------------------|
| | Tania.amar@nice.com | |
| Investors | | |
| Rachela Kassif | NICE Systems investor.relations@nice.com | 972-9-775-3899 877-685-6552 |
| Claudia Gatlin | CMG International Claudia@cmginternational.us | 973-316-9409 |

This press release contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Such statements are based on the current expectations of the management of NICE Systems Ltd. (the Company) only, and are subject to a number of risk factors and uncertainties, including but not limited to changes in technology and market requirements, decline in demand for the Company's products, inability to timely develop and introduce new technologies, products and applications, difficulties or delays in absorbing and integrating acquired operations, products, technologies and personnel, loss of market share, pressure on pricing resulting from competition, and inability to maintain certain marketing and distribution arrangements, which could cause the actual results or performance of the Company to differ materially from those described therein. We undertake no obligation to update these forward-looking statements. For a more detailed description of the risk factors and uncertainties affecting the company, refer to the Company's reports filed from time to time with the Securities and Exchange Commission.

**NICE SYSTEMS LTD. AND
SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS**

U.S. dollars in thousands (except per share amounts)

| | Three months ended December 31, | | Twelve months ended December 31, | |
|---|--|-------------------|---|-----------------|
| | 2002 Unaudited | 2003 Unaudited | 2002 Audited | 2003 Audited |
| Revenue | | | | |
| Product | \$ 40,106 | \$ 45,387 | \$ 127,896 | \$ 168,055 |
| Services | 9,490 | 16,333 | 27,445 | 56,203 |
| Total revenue | 49,596 | 61,720 | 155,341 | 224,258 |
| Cost of revenue | | | | |
| Product | 17,424 | 16,152 | 55,453 | 64,231 |
| Services | 8,043 | 11,297 | 26,054 | 42,084 |
| Total cost of revenue | 25,467 | 27,449 | 81,507 | 106,315 |
| Gross Profit | 24,129 | 34,271 | 73,834 | 117,943 |
| Operating Expenses: | | | | |
| Research and development, net | 5,360 | 5,991 | 17,122 | 22,833 |
| Selling and marketing | 12,569 | 13,971 | 38,743 | 53,701 |
| General and administrative | 7,046 | 7,561 | 23,806 | 29,840 |
| Goodwill impairment | 28,260 | - | 28,260 | - |
| In-process research and development write-off | 1,270 | - | 1,270 | - |
| Restructuring and other special charges | (438) | 5,381 | (438) | 7,082 |
| Total operating expenses | 54,067 | 32,904 | 108,763 | 113,456 |
| Operating income (loss) | (29,938) | 1,367 | (34,929) | 4,487 |
| Financial income, net | 685 | 349 | 3,992 | 2,034 |
| Other income (expense), net | (3,782) | 286 | (4,065) | 292 |
| Income (loss) before taxes on income | (33,035) | 2,002 | (35,002) | 6,813 |
| Taxes on income | 155 | 385 | 350 | 1,205 |
| Net income (loss) from continuing operations | (33,190) | 1,617 | (35,352) | 5,608 |
| Net income (loss) from discontinued operations | (79) | 298 | 1,370 | 1,483 |
| Net income (loss) | \$ (33,269) | \$ 1,915 | \$ (33,982) | \$ 7,091 |

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| | | | | |
|--|-----------|---------|-----------|---------|
| Basic income (loss) per share from continuing operations | \$ (2.22) | \$ 0.10 | \$ (2.56) | \$ 0.35 |
| Basic income (loss) per share from discontinued operations | \$ (0.01) | \$ 0.02 | \$ 0.10 | \$ 0.09 |
| Basic income (loss) per share | \$ (2.22) | \$ 0.12 | \$ (2.46) | \$ 0.44 |
| Diluted income (loss) per share from continuing operations | \$ (2.22) | \$ 0.09 | \$ (2.56) | \$ 0.33 |
| Diluted income (loss) per share from discontinued operations | \$ (0.01) | \$ 0.02 | \$ 0.10 | \$ 0.09 |
| Diluted income (loss) per share | \$ (2.22) | \$ 0.11 | \$ (2.46) | \$ 0.42 |
| Weighted average number of shares outstanding used to compute: | | | | |
| Basic income (loss) per share | 14,984 | 16,479 | 13,795 | 16,038 |
| Diluted income (loss) per share | 14,984 | 17,956 | 13,795 | 16,781 |

**NICE SYSTEMS LTD. AND SUBSIDIARIES
FOR COMPARATIVE PURPOSES**

**NET LOSS AND LOSS PER SHARE EXCLUDING RESTRUCTURING COST,
AMORTIZATION OF ACQUIRED INTANGIBLES, GOODWILL IMPAIRMENT, ACQUIRED
IN-PROCESS RESEARCH AND DEVELOPMENT WRITE-OFF AND OTHER SPECIAL CHARGES**
U.S. dollars in thousands (except per share amounts)

| | Three months ended December 31, | | Twelve months ended December 31, | |
|---|--|-------------------|---|-----------------|
| | 2002 Unaudited | 2003 Unaudited | 2002 Audited | 2003 Audited |
| GAAP net income (loss) | \$ (33,269) | \$ 1,915 | \$ (33,982) | \$ 7,091 |
| Adjustments: | | | | |
| Goodwill impairment | 28,260 | - | 28,260 | - |
| In-process research and development write-off | 1,270 | - | 1,270 | - |
| Restructuring and other special charges | (438) | 5,381 | (438) | 7,082 |
| Other non-operating expense (income) | 3,468 | (300) | 3,468 | (300) |
| Non-GAAP net income (loss) | \$ (709) | \$ 6,996 | \$ (1,422) | \$ 13,873 |

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| | | | | |
|---------------------------------|-----------|---------|-----------|---------|
| Basic income (loss) per share | \$ (0.05) | \$ 0.42 | \$ (0.10) | \$ 0.87 |
| Diluted income (loss) per share | \$ (0.05) | \$ 0.39 | \$ (0.10) | \$ 0.83 |

NICE SYSTEMS LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

| | December 31, 2002 Audited | December 31, 2003 Audited |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 19,281 | \$ 29,859 |
| Short-term bank deposits | 208 | 189 |
| Marketable securities | 33,853 | 17,187 |
| Trade receivables | 48,402 | 45,973 |
| Other receivables and prepaid expenses | 8,162 | 7,366 |
| Related party receivables | 12,804 | 4,013 |
| Inventories | 13,480 | 12,634 |
| Assets of discontinued operations | 6,053 | 3,945 |
| Total current assets | 142,243 | 121,166 |
| LONG-TERM INVESTMENTS: | | |
| Long-term marketable securities | 15,247 | 60,034 |
| Other long-term investments | 7,034 | 8,084 |
| Total long-term investments | 22,281 | 68,118 |
| PROPERTY AND EQUIPMENT, NET | 23,864 | 18,627 |
| OTHER ASSETS, NET | 47,900 | 41,504 |
| TOTAL ASSETS | \$ 236,288 | \$ 249,415 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Short-term bank credit | \$ 24 | \$ - |
| Trade payables | 15,626 | 15,744 |
| Accrued expenses and other liabilities | 42,805 | 47,370 |
| Liabilities of discontinued operations | 4,205 | 1,878 |
| Total current liabilities | 62,660 | 64,992 |
| LONG-TERM LIABILITIES | 19,092 | 7,592 |

| | | |
|---|------------|------------|
| SHAREHOLDERS' EQUITY | 154,536 | 176,831 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 236,288 | \$ 249,415 |

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NICE SYSTEMS LTD. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENTS

U.S. dollars in thousands

| | Three months Ended December 31, 2003 | Twelve months Ended December 31, 2003 |
|---|---|--|
| | Unaudited | Audited |
| <u>Cash flows from operating activities:</u> | | |
| Net income | \$ 1,915 | \$ 7,091 |
| Less income for the period from discontinued operations | (298) | (1,483) |
| Adjustments required to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 4,464 | 17,617 |
| Accrued severance pay, net | (15) | 124 |
| Amortization of discount (premium) and accrued interest on held-to-maturity marketable securities | 445 | 1,459 |
| Decrease (increase) in trade receivables | (4,028) | 3,901 |
| Decrease in other receivables and prepaid expenses | 316 | 1,208 |
| Decrease in inventories | 2,284 | 1,515 |
| Increase (decrease) in trade payables | 895 | (104) |
| Increase in accrued expenses and other liabilities | 4,716 | 4,819 |
| Increase in long-term liabilities related to legal settlement | 667 | 667 |
| Other | (33) | 46 |
| Net cash provided by operating activities from continuing operations | 11,328 | 36,860 |
| Net cash provided (used) by operating activities from discontinued operations | (814) | 1,316 |
| Net cash provided by operating activities | 10,514 | 38,176 |
| <u>Cash flows from investing activities:</u> | | |
| Purchase of property and equipment | (1,581) | (5,492) |
| Proceeds from sale of property and equipment | 79 | 747 |
| Investment in short-term bank deposits | (35) | (132) |
| Proceeds from short-term bank deposits | 43 | 165 |
| Proceeds from maturity of short-term held-to-maturity marketable securities | 5,335 | 33,997 |
| Proceeds of call of long-term held-to-maturity marketable securities | 3,500 | 8,500 |
| Investment in long-term held-to-maturity marketable securities | (15,951) | (72,077) |
| Capitalization of software development costs | (498) | (2,291) |
| Decrease in accrued acquisition costs | - | (3,008) |
| Payment in respect of terminated contract from TCS acquisition | (1,377) | (6,518) |
| Decrease in related party receivables from TCS acquisition | - | 6,635 |
| Additional acquisition costs related to the TCS acquisition | (313) | (316) |
| Net cash used in discontinued operations (purchase of property & equipment) | - | (52) |
| Net cash used in investing activities | (10,798) | (39,842) |
| <u>Cash flows from financing activities:</u> | | |
| Proceeds from issuance of shares and exercise of share options, net | 7,482 | 12,086 |

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|--|-----------|-----------|
| Short-term bank credit, net | - | (24) |
| Net cash provided by financing activities | 7,482 | 12,062 |
| Effect of exchange rate changes on cash | 210 | 182 |
| Increase (decrease) in cash and cash equivalents | 7,408 | 10,578 |
| Cash and cash equivalents at beginning of period | 22,451 | 19,281 |
| Cash and cash equivalents at December 31, 2003 | \$ 29,859 | \$ 29,859 |

**NICE SYSTEMS LTD. AND
SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AS ADJUSTED FOR
DISCONTINUED OPERATIONS**

U.S. dollars in thousands (except per share amounts)

| | Year ended December 31, 2002 | | | | |
|--|------------------------------|--------------|--------------|--------------|---------------------|
| | Q1 31-Mar | Q2 30-Jun | Q3 30-Sep | Q4 31-Dec | 12 Months 31-Dec |
| Revenue | | | \$ | | |
| Product | \$29,330 | \$ 30,878 | 27,582 | \$40,106 | \$127,896 |
| Services | 4,903 | 5,371 | 7,681 | 9,490 | 27,445 |
| Total revenue | 34,233 | 36,249 | 35,263 | 49,596 | 155,341 |
| Cost of revenue | | | | | |
| Product | 13,128 | 13,558 | 11,343 | 17,424 | 55,453 |
| Services | 5,601 | 5,747 | 6,663 | 8,043 | 26,054 |
| Total cost of revenue | 18,729 | 19,305 | 18,006 | 25,467 | 81,507 |
| Gross Profit | 15,504 | 16,944 | 17,257 | 24,129 | 73,834 |
| Operating Expenses: | | | | | |
| Research and development, net | 4,089 | 3,968 | 3,705 | 5,360 | 17,122 |
| Selling and marketing | 8,597 | 8,648 | 8,929 | 12,569 | 38,743 |
| General and administrative | 5,167 | 5,585 | 6,008 | 7,046 | 23,806 |
| Goodwill impairment | - | - | - | 28,260 | 28,260 |
| In-process research and development write-off | - | - | - | 1,270 | 1,270 |
| Restructuring and other special charges | - | - | - | (438) | (438) |
| Total operating expenses | 17,853 | 18,201 | 18,642 | 54,067 | 108,763 |
| Operating income (loss) | (2,349) | (1,257) | (1,385) | 29,938 | (34,929) |
| Financial income, net | 959 | 1,376 | 972 | 685 | 3,992 |
| Other income (expense), net | 31 | (334) | 20 | (3,782) | (4,065) |
| Income (loss) before taxes on income | (1,359) | (215) | (393) | (33,035) | (35,002) |
| Taxes on income | 20 | 150 | 25 | 155 | 350 |
| Net income (loss) from continuing operations | (1,379) | (365) | (418) | (33,190) | (35,352) |
| Net income (loss) from discontinued operations | 189 | 417 | 843 | (79) | 1,370 |

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| | | | | | |
|--|-----------|-----------|-----------|------------|------------|
| | \$ | | | | |
| Net income (loss) | (1,190) | \$ 52 | \$ 425 | \$(33,269) | \$(33,982) |
| Basic income (loss) per share from continuing operations | \$ (0.10) | \$ (0.03) | \$ (0.03) | \$ (2.22) | \$ (2.56) |
| Basic income (loss) per share from discontinued operations | \$0.01 | \$ 0.03 | \$0.06 | \$ (0.01) | \$0.10 |
| Basic income (loss) per share | \$ (0.09) | \$0.00 | \$0.03 | \$ (2.22) | \$ (2.46) |
| Diluted income (loss) per share from continuing operations | \$ (0.10) | \$ (0.03) | \$ (0.03) | \$ (2.22) | \$ (2.56) |
| Diluted income (loss) per share from discontinued operations | \$0.01 | \$0.03 | \$0.06 | \$ (0.01) | \$ 0.10 |
| Diluted income (loss) per share | \$ (0.09) | \$0.00 | \$0.03 | \$ (2.22) | \$ (2.46) |
| Weighted average number of shares outstanding used to compute: | | | | | |
| Basic income (loss) per share | 13,342 | 13,377 | 13,464 | 14,984 | 13,795 |
| Diluted income (loss) per share | 13,342 | 13,544 | 13,464 | 14,984 | 13,795 |

**NICE SYSTEMS LTD. AND
SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AS ADJUSTED FOR DISCONTINUED
OPERATIONS**

U.S. dollars in thousands (except per share amounts)

| | Year ended December 31, 2003 | | | | |
|--|-------------------------------------|--------------|--------------|--------------|---------------------|
| | Q1 31-Mar | Q2 30-Jun | Q3 30-Sep | Q4 31-Dec | 12 Months 31-Dec |
| Revenue | | | | | |
| Product | \$38,704 | \$ 42,454 | \$41,510 | \$45,387 | \$168,055 |
| Services | 13,137 | 12,363 | 14,370 | 16,333 | 56,203 |
| Total revenue | 51,841 | 54,817 | 55,880 | 61,720 | 224,258 |
| Cost of revenue | | | | | |
| Product | 15,999 | 16,436 | 15,644 | 16,152 | 64,231 |
| Services | 9,834 | 10,328 | 10,625 | 11,297 | 42,084 |
| Total cost of revenue | 25,833 | 26,764 | 26,269 | 27,449 | 106,315 |
| Gross Profit | 26,008 | 28,053 | 29,611 | 34,271 | 117,943 |
| Operating Expenses: | | | | | |
| Research and development, net | 5,534 | 5,558 | 5,750 | 5,991 | 22,833 |
| Selling and marketing | 13,181 | 12,921 | 13,628 | 13,971 | 53,701 |
| General and administrative | 7,282 | 7,531 | 7,465 | 7,561 | 29,840 |
| Goodwill impairment | - | - | - | - | - |
| In-process research and development write-off | - | - | - | - | - |
| Restructuring and other special charges | 444 | 834 | 423 | 5,381 | 7,082 |
| Total operating expenses | 26,441 | 26,844 | 27,266 | 32,904 | 113,456 |
| Operating income (loss) | (433) | 1,209 | 2,345 | 1,367 | 4,487 |
| Financial income, net | 559 | 334 | 791 | 349 | 2,034 |
| Other income (expense), net | (37) | 4 | 39 | 286 | 292 |
| Income (loss) before taxes on income | 89 | 1,547 | 3,175 | 2,002 | 6,813 |
| Taxes on income | 50 | 314 | 456 | 385 | 1,205 |
| Net income (loss) from continuing operations | 39 | 1,233 | 2,719 | 1,617 | 5,608 |
| Net income (loss) from discontinued operations | 170 | 196 | 819 | 298 | 1,483 |
| Net income (loss) | \$ 209 | \$1,429 | \$3,538 | \$1,915 | \$7,091 |
| | \$0.00 | \$0.08 | \$0.17 | \$ 0.10 | \$0.35 |

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| | | | | | |
|--|---------|---------|---------|---------|---------|
| Basic income (loss) per share from continuing operations | | | | | |
| Basic income (loss) per share from discontinued operations | \$ 0.01 | \$ 0.01 | \$0.05 | \$ 0.02 | \$ 0.09 |
| Basic income (loss) per share | \$ 0.01 | \$ 0.09 | \$0.22 | \$0.12 | \$ 0.44 |
| Diluted income (loss) per share from continuing operations | \$0.00 | \$ 0.08 | \$0.16 | \$ 0.09 | \$0.33 |
| Diluted income (loss) per share from discontinued operations | \$ 0.01 | \$ 0.01 | \$ 0.05 | \$ 0.02 | \$ 0.09 |
| Diluted income (loss) per share | \$ 0.01 | \$0.09 | \$0.21 | \$ 0.11 | \$ 0.42 |
| Weighted average number of shares outstanding used to compute: | | | | | |
| Basic income (loss) per share | 15,808 | 15,822 | 16,037 | 16,479 | 16,038 |
| Diluted income (loss) per share | 15,816 | 16,175 | 16,884 | 17,956 | 16,781 |