



# **FORM 6-K**

## **NICE SYSTEMS LTD – NICE**

**Filed: February 18, 2003 (period: February 12, 2003)**

Report of foreign issuer rules 13a-16 and 15d-16 of the Securities Exchange Act

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 12, 2003

NICE-SYSTEMS LTD.

-----  
(Translation of Registrant's Name into English)

8 HAPNINA STREET, P.O. BOX 690, RA'ANANA, ISRAEL

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(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-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333-11154 AND 333-13686), AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS SUBMITTED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.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 document, which is attached hereto and incorporated by reference herein:

1. Press Release (dated February 12, 2003): NICE Systems Reports Fourth Quarter and Full Year 2002 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 12, 2003

## NICE SYSTEMS REPORTS FOURTH QUARTER AND FULL YEAR 2002 RESULTS

## NICE STANDALONE RESULTS EXCEED MANAGEMENT'S GUIDANCE

RA'ANANA, ISRAEL, FEBRUARY 12, 2003 -- NICE SYSTEMS (NASDAQ: NICE), a worldwide leader of multimedia recording solutions, applications and related professional services for business interaction management, today announced unaudited results for the quarter and audited results for the 12 months ending December 31, 2002. Both fourth quarter and full year results include the operating results of Thales Contact Solutions (TCS) from date of acquisition (November 2, 2002).

On a GAAP basis, revenue for the fourth quarter was \$49.7 million and the net loss was \$33.3 million, or \$2.22 per share. NICE's fourth quarter results included \$8.5 million in revenues and a loss of \$2.2 million from TCS. As previously indicated, the fourth quarter included several special charges including \$28.3 million in respect of the recognition of the impairment of NICE goodwill related to acquisitions made prior to the fourth quarter of 2002 and \$1.3 million of in-process R&D related to the acquisition of TCS. The Company elected to adopt SFAS 146 with regard to employee termination costs related to post-TCS acquisition synergies implemented during the fourth quarter. In addition, the fourth quarter included the previously announced cost of the settlement of a securities claim of \$3.5 million. Excluding the special charges, the fourth quarter net loss was \$0.7 million, or \$0.05 per share. NICE generated net operating cash flow of \$11.5 million in the fourth quarter.

"Operationally, we had an outstanding quarter," said Haim Shani, president and CEO of NICE. "NICE's standalone results exceeded our guidance, and bookings reached another record high. This was an excellent achievement considering that we were in the process of integrating the former TCS operations throughout the quarter. TCS results for November and December are not indicative of what we expect going forward. The fourth quarter impact reflects all the negative effects of the integration process but none of the benefits of headcount reduction, closing offices and shifting employees into different positions. Still it was a very smooth process and it was accomplished very quickly. We were especially gratified by the response of our new channel partners, and we have already begun to sell NICE products through former TCS channels. We look forward to realizing the benefits of the TCS acquisition as the year progresses and we continue to expect the acquisition to be accretive for 2003 as a whole."

## NON-GAAP STANDALONE PERFORMANCE EXCEEDS EXPECTATIONS FOR Q4

For sequential comparison purposes, NICE standalone revenue increased 7% sequentially to \$41.2 million in the fourth quarter of 2002. CEM revenues increased 13% sequentially during the quarter on a standalone basis, while Security Group revenue declined 9%, primarily due to the timing of orders in the company's military/government business. Digital video revenue increased 35% sequentially to \$8 million in the fourth quarter. Gross margin on a standalone basis rose to 51.4% from 49.1% in Q3 and the Company achieved standalone operating income of \$1.3 million, compared with a loss of \$0.5 million in Q3. Non-GAAP standalone EPS for the fourth quarter, excluding special charges, was \$0.11, compared with \$0.03 per share reported in Q3. Net operating cash flow on a standalone basis was \$11.9 million.

Commenting on the standalone Q4 results, Mr. Shani said, "We are particularly pleased with the performance of our video business. In addition, our CEM division reported sequential revenue improvement in all geographies. We are also pleased with the improvement in gross margins on a standalone basis, resulting from our outsourcing initiative and the impact of higher volume and improved mix in the digital video business. Both core businesses continued to execute well, and we returned to operating profitability on a standalone basis as expected."

## FULL YEAR 2002 RESULTS DEMONSTRATE SUCCESSFUL TURNAROUND

On a GAAP basis, revenue for the full year increased 28% to \$162.5 million. Gross margin increased to 48% from 42% in 2001. Also, R&D and SG&A expenses combined increased only 1%. The net loss for the 12 months ended December 31, 2002 was \$34.0 million, or \$2.46 per share, compared with a net loss of \$46.8 million, or \$3.59 per share, in 2001. Excluding special charges, the non-GAAP net loss for the 2002 was \$1.4 million, or \$0.10 per share, compared with \$24.4 million, or \$1.87 per share in 2001.

On a non-GAAP standalone basis, revenue for 2002 increased sequentially in every quarter to reach \$154.0 million, a 21% increase over 2001. Gross margins increased to 48.4% from 42% in 2001 and, excluding special charges, operating expenses decreased 6% in 2002 from 2001. Standalone net income, excluding special charges, of \$0.8 million, or \$0.06 per share, compares to a net loss of \$24.4 million, or \$1.87 per share, in 2001.

Commenting on the annual comparisons, Mr. Shani said, "The strong year over year revenue improvement in a weak overall market reflects our success in regaining market share in CEM and developing a strong presence in digital video, where revenue reached \$23 million, up 63% from 2001. While increasing revenue, we reduced operating expenses -- even as we expanded our presence in Europe and Asia. In addition, we eliminated the drag on earnings from our professional services organization, achieving a gross profit on services and maintenance for the first time."

"The acquisition of the TCS assets provides some unique capabilities," Shani continued. "These include a global footprint and broad geographic coverage, a huge installed base with tremendous potential to generate future revenue from value-added products, a combination of capabilities that enable us to provide more comprehensive solutions than our competitors and a network of channel partners that would be impossible for anyone to duplicate quickly. We believe that the ongoing difficult market conditions will favor the largest players in a particular sector and we believe this applies to ours as well. Having created the foundation, we look forward to capitalizing on our leading position in each of our major markets."

Regarding forward guidance, Mr. Shani said, "We expect Q1 revenue to be between \$51 and \$54 million, representing a slight decline on a run-rate basis reflecting the typical seasonal pattern, with a small profit. For 2003, we are reaffirming our earlier guidance of \$240 - \$255 million in revenue and \$0.80 to \$0.90 EPS, excluding special charges such as termination benefits."

#### BALANCE SHEET CHANGES

Total cash and equivalents at December 31, 2002 were \$68.6 million compared to \$90.2 million on September 30, 2002, primarily reflecting the payment of the cash portion of the purchase of the assets of TCS as provided by the original agreement. The cash portion of the purchase price was adjusted downward by \$12.8 million in accordance with the terms of the acquisition agreement, relating primarily to the actual net value of assets acquired and 2002 sales. Thus, the adjusted purchase price paid by NICE, including \$4.6 million of capitalized acquisition costs, is \$47.2 million.

The adjusted purchase price was allocated as follows: \$18.8 million to tangible net assets, \$9.3 million to intangible assets after expensing in-process R&D of \$1.3 million, and \$34.1 million to goodwill. Current liabilities increased \$2.8 million and long-term liabilities increased by \$13.5 million, reflecting obligations under a long-term contract assumed by NICE.

#### 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](http://www.nice.com). A telephone replay will be available for up to 72 hours after the call. The replay information will also be available on NICE's website.

#### 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



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,	
	2001 Unaudited	2002 Unaudited	2001 Audited	2002 Audited
Revenue				
Product	\$ 33,819	\$ 40,192	\$ 112,634	\$ 134,783
Services	3,880	9,490	14,474	27,722
Total revenue	37,699	49,682	127,108	162,505
Cost of revenue				
Product	14,347	17,294	54,321	58,693
Services	5,018	8,043	19,446	26,054
Total cost of revenue	19,365	25,337	73,767	84,747
Gross Profit	18,334	24,345	53,341	77,758
Operating Expenses:				
Research and development, net	4,439	5,535	19,190	17,925
Selling and marketing	9,299	12,689	35,046	40,494
General and administrative	5,993	7,046	27,143	23,806
Amortization of acquired intangibles	813	-	3,413	-
Goodwill impairment	-	28,260	-	28,260
In-process research and development write-off	-	1,270	-	1,270
Restructuring and other special charges	-	(438)	14,554	(438)
Total operating expenses	20,544	54,362	99,346	111,317
Operating loss	(2,210)	(30,017)	(46,005)	(33,559)
Financial income, net	907	685	4,254	3,992
Other expense, net	(4,480)	(3,782)	(4,846)	(4,065)
Loss before taxes on income	(5,783)	(33,114)	(46,597)	(33,632)
Taxes on income	146	155	198	350
Net loss	\$ (5,929)	\$ (33,269)	\$ (46,795)	\$ (33,982)
Basic loss per share	\$ (0.45)	\$ (2.22)	\$ (3.59)	\$ (2.46)
Diluted loss per share	\$ (0.45)	\$ (2.22)	\$ (3.59)	\$ (2.46)
Weighted average number of shares outstanding used to compute:				
Basic loss per share	13,197	14,984	13,047	13,795
Diluted loss per share	13,197	14,984	13,047	13,795

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,	
	2001 Unaudited	2002 Unaudited	2001 Audited	2002 Audited
GAAP net loss	\$ (5,929)	\$ (33,269)	\$ (46,795)	\$ (33,982)
Adjustments:				
Amortization of acquired intangibles	813	-	3,413	-
Goodwill impairment	-	28,260	-	28,260
In-process research and development write-off	-	1,270	-	1,270
Restructuring and other special charges	-	(438)	14,554	(438)
Other non-operating expense	4,448	3,468	4,448	3,468
Non-GAAP net loss	\$ (668)	\$ (709)	\$ (24,380)	\$ (1,422)
Basic loss per share	\$ (0.05)	\$ (0.05)	\$ (1.87)	\$ (0.10)
Diluted loss per share	\$ (0.05)	\$ (0.05)	\$ (1.87)	\$ (0.10)
Weighted average number of shares outstanding used to compute:				
Basic loss per share	13,197	14,984	13,047	13,795
Diluted loss per share	13,197	14,984	13,047	13,795

NICE SYSTEMS LTD. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
U.S. dollars in thousands

	DECEMBER 31, 2001	DECEMBER 31, 2002
	----- Audited	----- Audited
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents and short-term deposits	\$ 25,567	\$ 19,489
Marketable securities	29,270	33,853
Trade and unbilled receivables	35,009	53,358
Other receivables and prepaid expenses	5,465	8,234
Related party receivables	-	12,804
Inventory	11,057	13,480
	-----	-----
Total current assets	106,368	141,218
LONG-TERM INVESTMENTS:		
Long-term marketable securities	34,176	15,247
Other long-term investments	7,257	7,578
	-----	-----
Total long-term investments	41,433	22,825
FIXED ASSETS, NET	22,111	24,345
OTHER ASSETS, NET	40,100	55,487
	-----	-----
TOTAL ASSETS	\$ 210,012	\$ 243,875
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term bank credit	\$ -	\$ 24
Trade payables	11,123	16,129
Accrued expenses and other liabilities	25,314	45,859
	-----	-----
Total current liabilities	36,437	62,012
LONG-TERM LIABILITIES	6,557	19,740
SHAREHOLDERS' EQUITY	167,018	162,123
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 210,012	\$ 243,875
	=====	=====

NICE SYSTEMS LTD. AND SUBSIDIARIES  
FOR COMPARATIVE PURPOSES  
ADDITIONAL INFORMATION ABOUT THE RESULTS OF OPERATIONS  
FOR THE THREE MONTH PERIOD ENDED DECEMBER 31, 2002  
U.S. dollars in thousands (except per share amounts)

	NON-GAAP NICE	NON-GAAP TCS	NICE AS REPORTED
	-----	-----	-----
(Unaudited) (Unaudited) (Unaudited)			
Revenue			
Product	\$ 33,370	\$ 6,822	\$ 40,192
Services	7,816	1,674	9,490
Total revenue	41,186	8,496	49,682
Cost of revenue			
Product	13,354	3,940	17,294
Services	6,665	1,378	8,043
Total cost of revenue	20,019	5,318	25,337
Gross Profit	21,167	3,178	24,345
Operating Expenses:			
Research and development, net	4,063	1,472	5,535
Selling and marketing	9,549	3,140	12,689
General and administrative	6,274	772	7,046
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	47,708	6,654	54,362
Operating loss	(26,541)	(3,476)	(30,017)
Financial income, net	685	-	685
Other expense, net	(3,782)	-	(3,782)
Loss before taxes on income	(29,638)	(3,476)	(33,114)
Taxes on income	155	-	155
Net loss	\$ (29,793)	\$ (3,476)	\$ (33,269)
	=====	=====	=====
Basic loss per share	\$ (2.21)		\$ (2.22)
	=====		=====
Diluted loss per share	\$ (2.21)		\$ (2.22)
	=====		=====
Weighted average number of shares outstanding used to compute:			
Basic loss per share	13,486(a)		14,984
Diluted loss per share	13,486(a)		14,984

NOTE A: EXCLUDES THE WEIGHTED AVERAGE EFFECT OF THE SHARES ISSUED IN THE ACQUISITION OF TCS.

NICE SYSTEMS LTD. AND SUBSIDIARIES  
FOR COMPARATIVE PURPOSES  
ADDITIONAL INFORMATION ABOUT THE RESULTS OF OPERATIONS  
FOR THE THREE MONTH PERIOD ENDED DECEMBER 31, 2002  
NET INCOME (LOSS) AND INCOME (LOSS) PER SHARE EXCLUDING RESTRUCTURING COST,  
GOODWILL IMPAIRMENT, ACQUIRED IN-PROCESS RESEARCH AND DEVELOPMENT  
WRITE-OFF AND OTHER SPECIAL CHARGES  
U.S. dollars in thousands (except per share amounts)

	NON-GAAP NICE	NON-GAAP TCS	NICE AS REPORTED
	----- (Unaudited)	----- (Unaudited)	----- (Unaudited)
Net loss	\$ (29,793)	\$ (3,476)	\$ (33,269)
Adjustments:			
Goodwill impairment	28,260	-	28,260
In-process research and development write-off	-	1,270	1,270
Restructuring and other special charges	(438)	-	(438)
Other non-operating expense	3,468	-	3,468
	-----	-----	-----
Adjusted non-GAAP net income (loss)	\$ 1,497	\$ (2,206)	\$ (709)
	=====	=====	=====
Basic income (loss) per share	\$ 0.11		\$ (0.05)
	=====		=====
Diluted income (loss) per share	\$ 0.11		\$ (0.05)
	=====		=====
Weighted average number of shares outstanding used to compute:			
Basic loss per share	13,486 (a)		14,984
Diluted loss per share	13,489 (a)		14,984

NOTE A: EXCLUDES THE WEIGHTED AVERAGE EFFECT OF THE SHARES ISSUED IN THE ACQUISITION OF TCS.

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