FORM 20–F

NICE SYSTEMS LTD – NICE

Filed: June 26, 2003 (period: December 31, 2002)

Registration of securities of foreign private issuers pursuant to section 12(b) or (g)

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JUNE 26, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

Annual Report pursuant to Section 13 or 15(d) of
the Securities Exchange Act Of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

Commission file number 0-27466

NICE-SYSTEMS LTD.

(Exact name of Registrant as specified in its charter and translation of Registrant's name into English)

ISRAEL

(Jurisdiction of incorporation or organization)

8 Hapnina Street, P.O. Box 690, Ra'anana 43107, Israel

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
NONE	NONE

Securities registered or to be registered pursuant to Section 12(g) of the Act:

AMERICAN DEPOSITARY SHARES, EACH REPRESENTING
ONE ORDINARY SHARE, PAR VALUE ONE
NEW ISRAELI SHEKEL PER SHARE

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

NONE

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

15,704,425 ORDINARY SHARES, PAR VALUE NIS 1.00 PER SHARE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes X No _______

Indicate by check mark which financial statements the registrant has elected to follow:

Item 17 ________ Item 18 X

PRELIMINARY NOTE

THIS ANNUAL REPORT CONTAINS HISTORICAL INFORMATION AND FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 WITH RESPECT TO NICE'S BUSINESS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS. THE WORDS "ANTICIPATE," "BELIEVE," "ESTIMATE," "EXPECT," "INTEND," "MAY," "PLAN," "PROJECT" AND "SHOULD" AND SIMILAR EXPRESSIONS, AS THEY RELATE TO NICE OR ITS MANAGEMENT, ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. SUCH STATEMENTS REFLECT THE CURRENT VIEWS AND ASSUMPTIONS OF NICE WITH RESPECT TO FUTURE EVENTS AND ARE SUBJECT TO RISKS AND UNCERTAINTIES. MANY FACTORS COULD CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF NICE TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS THAT MAY BE EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS, INCLUDING, AMONG OTHERS, CHANGES IN GENERAL ECONOMIC AND BUSINESS CONDITIONS, CHANGES IN CURRENCY EXCHANGE RATES AND INTEREST RATES, DIFFICULTIES OR DELAYS IN ABSORBING AND INTEGRATING ACQUIRED OPERATIONS, PRODUCTS, TECHNOLOGIES AND PERSONNEL, CHANGES IN BUSINESS STRATEGY AND VARIOUS OTHER FACTORS, BOTH REFERENCED AND NOT REFERENCED IN THIS ANNUAL REPORT. THESE RISKS ARE MORE FULLY DESCRIBED UNDER

ITEM 3, "KEY INFORMATION - RISK FACTORS" OF THIS ANNUAL REPORT. SHOULD ONE OR MORE OF THESE RISKS OR UNCERTAINTIES MATERIALIZE, OR SHOULD UNDERLYING ASSUMPTIONS PROVE INCORRECT, ACTUAL RESULTS MAY VARY MATERIALLY FROM THOSE DESCRIBED HEREIN AS ANTICIPATED, BELIEVED, ESTIMATED, EXPECTED, INTENDED, PLANNED OR PROJECTED. NICE DOES NOT INTEND OR ASSUME ANY OBLIGATION TO UPDATE THESE FORWARD-LOOKING STATEMENTS.

In this annual report, all references to "NICE," "we," "us" or "our" are to NICE Systems Ltd, a company organized under the laws of the State of Israel, and its wholly owned subsidiaries, NICE Systems Inc., NICE Systems GmbH, NICE Systems Canada Ltd., NICE CTI Systems UK Ltd., STS Software Systems (1993) Ltd., NiceEye BV, NICE Systems S.A.R.L, NICE APAC Ltd., NiceEye Ltd. and Racal Recorders Ltd.

In this annual report, unless otherwise specified or unless the context otherwise requires, all references to "$" or "dollars" are to U.S. dollars and all references to "NIS" are to New Israeli Shekels. Except as otherwise indicated, the financial statements of and information regarding NICE are presented in U.S. dollars.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS.

Not Applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE.

Not Applicable.

ITEM 3. KEY INFORMATION.

SELECTED FINANCIAL DATA

The following selected consolidated financial data as of December 31, 2001 and 2002 and for the years ended December 31, 2000, 2001 and 2002 have been derived from our audited consolidated financial statements. These financial statements have been prepared in accordance with generally accepted accounting principles in the United States, or U.S. GAAP, and audited by Kost, Forer & Gabbay, a member of Ernst & Young Global. The consolidated selected financial data as of December 31, 1998, 1999 and 2000 and for the years ended December 31, 1998 and 1999 have been derived from other consolidated financial statements not included in this annual report and have also been prepared in accordance with U.S. GAAP and audited by Kost, Forer & Gabbay, a member of Ernst & Young Global. The selected consolidated financial data set forth below should be read in conjunction with and are qualified by reference to "Item 5, Operating and Financial Review and Prospects" and the consolidated financial statements and notes thereto and other financial information included elsewhere in this annual report.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

	YEAR ENDED DECEMBER 31,				
	1998	1999	2000	2001	2002
	(IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE DATA)				
OPERATING DATA:					
Revenues....................................					
Products	N/A	N/A	N/A	$112,634	$134,783
Services	N/A	N/A	N/A	14,474	27,722
Total revenues	90,970	117,411	153,163	127,108	162,505
Cost of revenues............................					
Products	N/A	N/A	N/A	54,321	58,693
Services	N/A	N/A	N/A	19,446	26,054
Total cost of revenues	37,038	49,020	73,554	73,767	84,747
Gross profit................................	53,932	68,391	79,609	53,341	77,758
Operating expenses:					
Research and development, net...........	9,819	12,353	19,502	19,190	17,925
Selling and marketing..................	18,767	25,793	35,448	35,046	40,494
General and administrative.............	16,579	18,734	28,300	27,143	23,806
Other special charges..................	9,733	5,415	7,646	17,967	29,092
Total operating expenses....................	54,898	62,295	90,896	99,346	111,317
Operating income (loss).....................	(966)	6,096	(11,287)	(46,005)	(33,559)
Financial income, net.......................	5,792	4,809	6,188	4,254	3,992
Other income (expenses), net................	-	(4)	53	(4,846)	(4,065)
Income (loss) before taxes on income.........	4,826	10,901	(5,046)	(46,597)	(33,632)
Taxes on income.............................	347	74	273	198	350
Net income (loss)...........................	$4,479	$10,827	$(5,319)	$(46,795)	$(33,982)
Basic earnings (loss) per share.............	$0.40	$0.94	$(0.43)	$(3.59)	$(2.46)
Weighted average number of shares used in computing basic earnings (loss) per share (in thousands)............................	11,192	11,559	12,317	13,047	13,795
Diluted earnings (loss) per share...........	$0.37	$0.88	$(0.43)	$(3.59)	$(2.46)
Weighted average number of shares used in computing diluted earnings (loss) per share (in thousands)......................	12,010	12,249	12,317	13,047	13,795

	AT DECEMBER 31,				
	1998	1999	2000	2001	2002

BALANCE SHEET DATA:					
Working capital	$126,266	$133,398	$117,319	$69,931	$79,206
Total assets	179,155	206,022	251,489	210,012	236,288
Total debt	-	3	-	-	24
Shareholders' equity	157,207	179,070	208,577	167,018	154,536

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

EXCHANGE RATE INFORMATION

The following table shows, for each of the months indicated, the high and low exchange rates between New Israeli Shekels and U.S. dollars, expressed as shekels per U.S. dollar and based upon the daily representative rate of exchange as reported by the Bank of Israel:

MONTH	HIGH	LOW
December 2002	NIS 4.791	NIS 4.632
January 2003	4.898	4.769
February 2003	4.924	4.810
March 2003	4.858	4.687
April 2003	4.671	4.521
May 2003	4.577	4.373

The following table shows, for periods indicated, the average exchange rate between New Israeli Shekels and U.S. dollars, expressed as shekels per U.S. dollar, calculated based on the average of the exchange rates on the last day of each month during the relevant period as reported by the Bank of Israel:

YEAR	AVERAGE
1998	3.810
1999	4.153
2000	4.068
2001	4.203
2002	4.738

On June 17, 2003, the exchange rate was NIS 4.353 per U.S. dollar as reported by the Bank of Israel.

The effect of exchange rate fluctuations on our business and operations is discussed in "Item 5. Operating and Financial Review and Prospects."

DIVIDENDS

We have never declared or paid dividends on our ordinary shares. We intend to retain our earnings for future growth and therefore do not anticipate paying any cash dividends in the foreseeable future.

RISK FACTORS

GENERAL BUSINESS RISKS TO NICE BUSINESS PORTFOLIO AND STRUCTURE

INTEGRATION OF THALES CONTACT SOLUTIONS FOLLOWING THE ACQUISITION IN NOVEMBER 2002 MAY PLACE SIGNIFICANT DEMANDS ON OUR OPERATIONS AND FINANCIAL RESOURCES.

We completed the acquisition of Thales Contact Solutions (or TCS) in November 2002. We cannot guarantee the successful integration of top management, people, product platforms, partners and distribution channels. The integration of TCS also requires a high level of management attention, which further puts risk on day-to-day business management. The integration of acquired companies may place significant demands on our operations and financial resources. Acquisitions of companies involve financial, operational and legal risks, including the difficulty of assimilating operations and personnel of the acquired companies and of maintaining uniform standards, controls, procedures and policies. Any failure to effectively integrate any acquired company could have a material adverse effect on our business, financial condition and results of operations.

THE MARKETS IN WHICH WE OPERATE ARE CHARACTERIZED BY RAPID TECHNOLOGICAL CHANGES AND FREQUENT NEW PRODUCTS AND SERVICE INTRODUCTIONS. WE MAY NOT BE ABLE TO KEEP UP WITH THESE RAPID TECHNOLOGICAL AND OTHER CHANGES.

We are operating in several markets, each characterized by rapidly changing technology and evolving industry standards. The introduction of products embodying new technology and the emergence of new industry standards can render existing products obsolete and unmarketable and can exert price pressures on existing products. We anticipate that a number of existing and potential competitors will be introducing new and enhanced products. Our ability to anticipate changes in technology and industry standards and to successfully develop and introduce new, enhanced and competitive products, on a timely basis, in all the markets where we operate, will be a critical factor in our ability to grow and be competitive. As a result, we expect to continue to make significant expenditures on research and development, particularly with respect to new software applications, which are continuously required in all our business areas. We cannot assure you that the market or demand for our products will grow as rapidly as we expect, or if at all, that we will successfully develop new products or introduce new applications for existing products, that such new products and applications will achieve market acceptance or that the introduction of new products or technological developments by others will not render our products obsolete. Our inability to develop products that are competitive in technology and price and responsive to customer needs could have a material adverse effect on our business, financial condition and results of operations.

WE MAY NOT SUCCEED IN MAKING ADDITIONAL ACQUISITIONS OR BE EFFECTIVE IN INTEGRATING SUCH ACQUISITIONS.

One of our business strategies is to pursue acquisitions of businesses, products and technologies that are complementary to those of our businesses. In the past, we have entered into a number of acquisitions and we may make additional acquisitions in the future. There can be no

assurance that we will be successful in making additional acquisitions or effective in integrating such acquisitions. In addition, if we consummate one or more significant acquisitions in which the consideration consists, in whole or in part, of ordinary shares or ADSs, shareholders would suffer dilution of their interests in us.

WE MAY BE UNABLE TO MANAGE OUR EXPANSION AND ANTICIPATED GROWTH EFFECTIVELY.

In 2002 we have expanded our presence in Europe (mainly in the UK) and the Middle East and Africa (or EMEA) through organic growth and through the acquisition of TCS. The growth in our business in EMEA is still in its early stage, and particularly, we are just beginning to develop our digital video business in EMEA. We expect continued growth, particularly in connection with the enhancement and expansion of our operations in EMEA as well as in the Asia Pacific (or APAC) region. However, we cannot assure you that our revenues will increase as a result of this expansion or that we will be able to recover the expenses we incurred in effecting the expansion. Failure to effectively manage expansion of our sales, marketing, service and support organizations could have a negative impact on our business.

WE HAVE RECENTLY MIGRATED TOWARDS THE OUTSOURCING OF THE MANUFACTURING OF OUR KEY PRODUCTS. THE FAILURE OF OUR SUPPLIERS TO MEET OUR QUALITY OR DELIVERY REQUIREMENTS MAY HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

During 2002, we implemented a manufacturing agreement with Flextronics Israel Ltd., a global electronics manufacturing services company. Under this agreement Flextronics is providing us with a turnkey manufacturing solution from order receipt to product shipment including purchasing, manufacturing, testing, configuration, and delivery services. This agreement currently covers all our products. With the acquisition of TCS, we assumed a contract manufacturing agreement with INSTEM (of the UK) for all ex-TCS products. Consequently, we are now fully dependent on Flextronics and INSTEM and the manufacturing of our products is not in our control. We may experience delivery delays due the inability of the outsourcers to consistently meet our quality or delivery requirements. If these suppliers or any other supplier were to cancel contracts or commitments with us or fail to meet the quality or delivery requirements needed to satisfy customer orders for our products, we could lose time-sensitive customer orders and have significantly decreased quarterly revenues and earnings, which would have a material adverse effect on our business, results of operations and financial condition.

IF WE LOSE OUR KEY SUPPLIERS, OUR BUSINESS MAY SUFFER.

Certain components and subassemblies that we use in our existing products are purchased from a single or a limited number of suppliers. In the event any of these suppliers are unable to meet our requirements in a timely manner, we may experience an interruption in production until an alternative source of supply can be obtained. Any disruption, or any other interruption of a suppliers' ability to provide components to us, could result in delays in making product shipments, which could have a material adverse effect on our business, financial condition and results of operations. Although we generally maintain an inventory for some of our components and subassemblies to limit the potential for an interruption and we believe that we can obtain alternative sources of supply in the event our suppliers are unable to meet our requirements in a

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

timely manner, we cannot assure you that our inventory and alternative sources of supply would be sufficient to avoid a material interruption or delay in production.

IF WE LOSE OUR KEY PERSONNEL OR CANNOT RECRUIT ADDITIONAL PERSONNEL, OUR BUSINESS MAY SUFFER.

Recruiting and retaining qualified engineers and computer programmers to perform research and development and to commercialize our products as well as qualified personnel to market and sell those products are critical to our success. As of December 31, 2002, approximately 25% of our employees were devoted to research and product development and 27% were devoted to marketing and sales. An inability to attract and retain highly qualified employees may have an adverse effect on our ability to develop new products and enhancements for existing products and to successfully market such products.

Our success also depends, to a significant extent, upon the continued service of a number of key management, sales, marketing and technical employees, the loss of whom could materially adversely affect our business, financial condition and results of operations.

OPERATING INTERNATIONALLY EXPOSES US TO ADDITIONAL AND UNPREDICTABLE RISKS.

We sell our products throughout the world and intend to continue to increase our penetration of international markets. In 1998, 1999, 2000, 2001 and 2002, approximately 98%, 99%, 97%, 96% and 98%, respectively, of our total sales were derived from sales to customers outside of Israel, and approximately 42%, 50%, 53%, 48% and 50% respectively, of our total sales were made to customers in North America. A number of risks are inherent in international transactions. International sales and operations may be limited or disrupted by the imposition of governmental controls and regulations, export license requirements, political instability, trade restrictions, changes in tariffs and difficulties in managing international operations. We cannot assure you that one or more of these factors will not have a material adverse effect on our international operations and, consequently, on our business, financial condition and results of operations.

INADEQUATE INTELLECTUAL PROPERTY PROTECTIONS COULD PREVENT US FROM ENFORCING OR DEFENDING OUR INTELLECTUAL PROPERTY AND WE MAY BE SUBJECT TO LIABILITY IN THE EVENT OUR PRODUCTS INFRINGE ON THE PROPRIETARY RIGHTS OF THIRD PARTIES AND WE ARE NOT SUCCESSFUL IN DEFENDING SUCH CLAIMS.

Our success is dependent, to a certain extent, upon our proprietary technology. We currently own ten patents (including seven in the United States) to protect our technology and we have 46 applications pending in the United States and other countries. We currently rely on a combination of patent, trade secret, copyright and trademark law, together with non-disclosure and non-compete agreements, to establish and protect the technology used in our systems. However, we cannot assure you that such measures will protect our proprietary technology, that competitors will not develop products with features based upon, or otherwise similar to, our systems or that we will prevail in any proceeding instituted by us in order to enjoin competitors from selling similar products.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

Although we believe that our products do not infringe upon the proprietary rights of third parties, we cannot assure you that one or more third parties will not make a contrary claim or that we will be successful in defending such claim. In June 2000, Dictaphone Corporation, one of our competitors, filed a patent infringement claim relating to certain technology embedded in some of our products. The claim is for damages for past infringement and enjoinment of any continued infringement of Dictaphone patents. In the court's discretion, the damages may be trebled and attorney fees awarded. As a result we might be forced to pay significant damages and licensing fees, modify our business practices or even be enjoined from conducting a significant part of our U.S. business. Any such results could materially harm our business. We believe, however, that we have a valid defense to this claim and are vigorously defending it. We have received notification from our insurance company indicating that the claim is not covered by our insurance policy; however, our insurance company has agreed to reimburse for us all legal expenses that we are expending in defense of the claim while reserving its final decision on this matter until the final outcome of the litigation. The discovery period is closed, dispositive motions have been filed with the Court, and we are awaiting the Court's decisions on these motions as well as scheduling for trial.

In April 2002, we received a letter from Dictaphone stating that several of our products were using technology protected by additional Dictaphone patents and offering us a licensing arrangement for these patents. We believe that none of our products infringe upon those patents.

From time to time, we receive "cease and desist" letters alleging patent infringements. No formal claims or other actions (aside from Dictaphone) have been filed with respect to such letters. We believe that none of these allegations has merit. We cannot assure you, however, that we will be successful in defending Dictaphone's infringement claim or other claims. We also cannot assure you that Dictaphone's claims, or others' claims if asserted, will not have a material adverse effect on our business, financial condition, or operations. Defending the infringement claim or other claims could involve substantial costs and diversion of management resources. In addition, to the extent we are not successful in defending such claims, we may be subject to injunctions with respect to the use or sale of certain of our products or to liabilities for damages and may be required to obtain licenses which may not be available on reasonable terms.

WE FACE POTENTIAL PRODUCT LIABILITY CLAIMS AGAINST US.

We may be subject to claims that our products are defective or that some function or malfunction of our products caused or contributed to property, bodily or consequential damages. We minimize this risk by incorporating provisions into our distribution and standard sales agreements that are designed to limit our exposure to potential claims of liability. We carry product liability insurance in the amount of $10,000,000 per occurrence and $10,000,000 overall. No assurance can be given that all claims will be covered either by the contractual provisions limiting liability or by the insurance, or that the amount of any individual claim or all claims will be covered by the insurance or that the amount of any individual claim or all claims in the aggregate will not exceed policy coverage limits.

WE MAY FACE RISKS RELATING TO GOVERNMENT CONTRACTS.

We sell our products to, among other customers, governments and governmental entities. These sales are subject to special risks, such as delays in funding, termination of contracts or sub-contracts at the convenience of the government, termination, reduction or modification of contracts or sub-contracts in the event of changes in the government's policies or as a result of budgetary constraints, and increased or unexpected costs resulting in losses or reduced profits under fixed price contracts. Although to date we have not experienced any material problems in our performance of government contracts, or in the receipt of payments in full under such contracts, we cannot assure you that we will not experience problems in the future.

RISKS RELATING TO ISRAEL

OUR BUSINESS MAY BE IMPACTED BY INFLATION AND NIS EXCHANGE RATE FLUCTUATIONS.

Exchange rate fluctuations between the dollar and the NIS may negatively affect our earnings. A substantial majority of our revenues and a substantial portion of our expenses are denominated in dollars. However, a significant portion of the expenses associated with our Israeli operations, including personnel and facilities related expenses, are incurred in NIS. Consequently, inflation in Israel will have the effect of increasing the dollar cost of our operations in Israel, unless it is offset on a timely basis by a devaluation of the NIS relative to the dollar. We cannot predict any future trends in the rate of inflation in Israel or the rate of devaluation of the NIS against the dollar. If the dollar cost of our operations in Israel increases, our dollar-measured results of operations will be adversely affected.

WE ARE SUBJECT TO THE POLITICAL, ECONOMIC AND MILITARY CONDITIONS IN ISRAEL.

Our headquarters, research and development and main manufacturing facilities are located in the State of Israel, and we are directly affected by the political, economic and military conditions to which Israel is subject. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its Arab neighbors. A state of hostility, varying in degree and intensity, has led to security and economic problems for Israel. Since October 2000, there has been a high level of violence between Israel and the Palestinians, which has led to a crisis in the entire peace process and affected Israel's relationship with several Arab countries. Any armed conflicts or political instability in the region could negatively affect local business conditions and harm our results of operations. We cannot predict the effect on the region of the increase in the degree of violence between Israel and the Palestinians. Furthermore, several countries restrict doing business with Israel and Israeli companies, and additional companies may restrict doing business with Israel and Israeli companies as a result of the recent increase in hostilities. Our products are heavily dependent upon components imported from, and most of our sales are made to, countries outside of Israel. Accordingly, our operations could be materially adversely affected if trade between Israel and its present trading partners were interrupted or curtailed.

Some of our directors, officers and employees are currently obligated to perform annual military reserve duty. Additionally, in the event of a military conflict, including the ongoing conflict with the Palestinians, these persons could be required to serve in the military for extended periods of time. We cannot assess the full impact of these requirements on our workforce or business and we cannot predict the effect on us of any expansion or reduction of these obligations.

SERVICE AND ENFORCEMENT OF LEGAL PROCESS ON US AND OUR DIRECTORS AND OFFICERS MAY BE DIFFICULT TO OBTAIN.

Service of process upon our directors and officers most of whom reside outside the United States, may be difficult to obtain within the United States. Furthermore, since the majority of our assets and most of our directors and officers are located outside the United States, any judgment obtained in the United States against us or these individuals or entities may not be collectible within the United States.

There is doubt as to the enforceability of civil liabilities under the Securities Act and the Securities Exchange Act in original actions instituted in Israel. However, subject to certain time limitations and other conditions, Israeli courts may enforce final judgments of United States courts for liquidated amounts in civil matters, including judgments based upon the civil liability provisions of those Acts.

WE DEPEND ON THE AVAILABILITY OF GOVERNMENT GRANTS AND TAX BENEFITS.

We derive and expect to continue to derive significant benefits from various programs and laws in Israel including tax benefits relating to our "Approved Enterprise" programs and certain grants from the Office of the Chief Scientist, or OCS, for research and development. To be eligible for these grants, programs and tax benefits, we must continue to meet certain conditions, including making certain specified investments in fixed assets and conducting the research, development and manufacturing of products developed with such OCS grants in Israel (unless a special approval has been granted). From time to time, the Israeli Government has discussed reducing or eliminating the availability of these grants, programs and benefits, and there can be no assurance that the Government's support of grants, programs and benefits will continue.

Pursuant to an amendment to Israeli regulations, income from two of our "Approved Enterprises" is exempt from income tax for only two years. Following this two-year period, the "Approved Enterprise" will be subject to corporate tax at a reduced rate of 10-25% (based on the percentage of foreign ownership in each taxable year) for the following eight years. Income from the other two "Approved Enterprises" is tax exempt for four years. Following this four-year period, the "Approved Enterprises" are subject to corporate tax at a reduced rate of 10-25% (based on the percentage of foreign ownership in each taxable year) for the following six years.

If grants, programs and benefits available to us or the laws under which they were granted are eliminated or their scope is further reduced, or if we fail to meet the conditions of existing grants, programs or benefits and are required to refund grants or tax benefits already received (together with interest and certain inflation adjustments), our business, financial condition and results of operations could be materially adversely affected.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

RISKS RELATING TO NICE BUSINESS

THE INDUSTRY FOR OUR VOICE PLATFORMS AND APPLICATIONS BUSINESS IS CHARACTERIZED BY RAPID TECHNOLOGICAL CHANGES AND FREQUENT NEW PRODUCTS AND SERVICE INTRODUCTIONS. WE MAY NOT BE ABLE TO KEEP UP WITH THESE RAPID TECHNOLOGICAL AND OTHER CHANGES THAT REFLECT A HIGHLY COMPETITIVE MARKET.

Our most significant market is the market for voice recording platforms and related enhanced applications (or Voice Platforms and Applications). Voice Platforms and Applications are utilized by entities operating in the contact center, trading floor, public safety and air traffic control segments to capture, store, retrieve and analyze recorded data. The market for our Voice Platforms and Applications is characterized by a group of highly competitive vendors that are introducing rapidly changing competitive offerings around evolving industry standards. The introduction of products embodying new technology and the emergence of new industry standards can render existing products obsolete and unmarketable and can exert price pressures on existing products. We anticipate that a number of existing and potential competitors will be introducing new and enhanced products. Our ability to anticipate changes in technology and industry standards and to successfully develop and introduce new, enhanced and competitive products, on a timely basis, will be a critical factor in our ability to grow and be competitive. As a result, we expect to continue to make significant expenditures on research and development, particularly with respect to new software applications, which are continuously required in all our business areas. We cannot assure you that the market or demand for our products will grow as rapidly as we expect, or if at all, that we will successfully develop new products or introduce new applications for existing products, that such new products and applications will achieve market acceptance or that the introduction of new products or technological developments by others will not render our products obsolete. Our inability to develop products that are competitive in technology and price and responsive to customer needs could have a material adverse effect on our business, financial condition or results of operations.

CONTINUING ADVERSE CONDITIONS IN INFORMATION TECHNOLOGY SECTORS MAY LEAD TO A DECREASED DEMAND FOR OUR VOICE PLATFORMS AND APPLICATIONS AND MAY HARM OUR BUSINESS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Our operating results may be materially adversely affected as a result of recent unfavorable economic conditions and reduced information technology spending, particularly in the product segments in which we compete. During 2002, there was a decrease in demand for our Voice Platforms and Applications as customers delayed or reduced information technology expenditures. In particular, many enterprises, telecommunications carriers and service providers have reduced spending in connection with contact centers, and many financial institutions have reduced spending related to trading floors. These trends may adversely affect the growth of sales of new Applications. If these industry-wide conditions persist, they will likely have an adverse impact, which may be material, on our business, financial condition and results of operations.

VOIP EXPANSION

The expansion of the new Voice over Internet Protocol (or VOIP) in contact centers and trading floors may lead to other companies taking leadership. Strategic partners may change their vendor preferences. New developments of VOIP may lead to embedded VOIP recording as part of the VOIP switch or networking infrastructure. We cannot assure you that our products or existing partnerships will ensure sustainable leadership.

WE DEPEND ON A NUMBER OF KEY STRATEGIC DISTRIBUTION PARTNERS FOR OUR VOICE PLATFORM AND APPLICATION SALES

In 2002 more than 57% of our indirect sales for Voice Platforms and Applications came from strategic partners, which accounted for a total of 39% of our entire Voice Platforms and Applications sales, or 32% of our entire sales. Our competitors' ability to penetrate these strategic relationships, particularly our relationship with AVAYA, our largest global distribution partner, may result in a significant reduction of sales through that partner.

WE DEPEND ON THE SUCCESS OF THE NICELOG SYSTEM AND RELATED PRODUCTS.

We are dependent on the success of the NiceLog system and related products to maintain profitability. In 1998, 1999, 2000, 2001 and 2002, approximately and respectively, 94%, 88%, 84%, 79%, and 78% of our revenues were generated from sales of NiceLog systems and related products and we anticipate that such products will continue to account for a significant portion of our sales in the next several years. A significant decline in sales of NiceLog systems and related products, or a significant decrease in the profit margin on such products, could have a material adverse effect on our business, financial condition or results of operations.

WE ARE EXPANDING THE SCOPE OF OUR VOICE PLATFORMS AND APPLICATIONS TO INCLUDE ENTERPRISE BUSINESS PERFORMANCE MANAGEMENT SOLUTIONS. WE MAY NOT HAVE THE SUFFICIENT RESOURCES TO SUCCESSFULLY LEAD SUCH A PROCESS.

We are expanding the scope of our Voice Platforms and Applications to Enterprise Performance Management solutions, with a focus on analytic software solutions that are based on voice and data content analysis. The market for such content analysis applications is still in its early phases. Successful positioning of our products is a critical factor in our ability to maintain growth. Furthermore, new potential entrants from the traditional enterprise business intelligence and business analytics sector may decide to develop recording and content analysis capabilities and compete with us in this emerging opportunity. As a result, we expect to continue to make significant expenditures on marketing. We cannot assure you that the market awareness or demand for our new products will grow as rapidly as we expect, or if at all, that we will successfully develop new products or introduce new applications for existing products, that such new products and applications will achieve market acceptance or that the introduction of new products or technological developments by others will not adversely impact the demand for our products.

OUR SUCCESS IN THE PUBLIC SAFETY SEGMENT DEPENDS ON SEVERAL MARKETING FACTORS.

Our ability to succeed in the public safety segment depends on our ability to develop an effective network of distributors to the mid-low segment of the public safety market, while facing pricing pressures and a low-end entry barrier. We face fierce competition from players like Dictaphone, CVDS, VoicePrint and others that results in price erosion. We believe that our ability to sell and distribute our Voice Platforms and Applications to the public safety market depends on a number of successful marketing and product development initiatives, but cannot assure you of their success.

THE VIDEO PLATFORM AND APPLICATIONS MARKET IN WHICH WE OPERATE IS HIGHLY COMPETITIVE AND WE MAY BE UNABLE TO COMPETE SUCCESSFULLY.

Another market which we service is the market for digital video products and applications (or Video Platform and Applications). Our Video Platform and Applications are utilized by entities in the closed circuit television (or CCTV) security, gaming and retail industries to capture, store and analyze digital video and related data. The market for our Video Platform and Applications is highly competitive and includes products offering a broad range of features and capacities. We compete with a number of large, established manufacturers of video recording systems and distributors of similar products, as well as new emerging players in the field. The price per channel of digital recording systems has decreased throughout the market in recent years, primarily due to competitive pressures. We cannot assure you that the price per channel of digital recording systems will not continue to decrease or that our gross profit will not decrease as a result thereof. We cannot assure you that we will be able to compete successfully or that competition will not have a material adverse effect on our business, financial condition and results of operations.

WE MAY BE UNABLE TO DEVELOP STRATEGIC ALLIANCES AND MARKETING PARTNERSHIPS FOR THE GLOBAL DISTRIBUTION OF OUR VIDEO PLATFORM AND APPLICATIONS, WHICH MAY LIMIT OUR ABILITY TO SUCCESSFULLY MARKET AND SELL THESE PRODUCTS.

We believe that developing marketing partnerships and strategic alliances is an important factor in our success in marketing our Video Platform and Applications and in penetrating new markets for such products. We have recently started to develop a number of strategic alliances for the marketing and distribution of our Video Platform and Applications. We cannot assure that we will be able to successfully develop such partnerships or strategic alliances. Failure to develop such arrangements may limit our ability to successfully market and sell our Video Platform and Applications and may have a negative impact on our business.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

WE ARE DEVELOPING NEW VIDEO CONTENT ANALYSIS APPLICATIONS. WE MAY NOT HAVE SUFFICIENT RESOURCES TO SUCCESSFULLY COMMERCIALIZE SUCH APPLICATIONS.

We are developing and commercializing new video content analysis applications that enable real-time detection of security threats. The market for such video content analysis applications is still in an early phase. As this is a new opportunity for changing security procedures and transition to proactive security management, we cannot anticipate the pace in which security organizations will adopt this technology. Successful positioning of our products is a critical factor in our ability to maintain growth. New potential entrants to the market may decide to develop video content analysis capabilities and compete with us in this emerging opportunity. As a result, we expect to continue to make significant expenditures on marketing. We cannot assure you that the market awareness or demand for such new products will grow as rapidly as we expect, or if at all, that we will successfully develop new products or introduce new applications for existing products, that such new products and applications will achieve market acceptance or that the introduction of new products or technological developments by others will not adversely impact the demand for our video content analysis applications.

OUR COMINT/DF BUSINESS IS SMALL.

Another market we serve is the market for communication intelligence and direction finding (or COMINT/DF) applications utilized by military intelligence operations. Our COMINT/DF business is small in size, we are considered a niche player, and are depending on system integrators for the growth of the business. We cannot assure you the sustainability of this business in the longer term.

OUR LAWFUL INTERCEPTION PRODUCT OFFERINGS BUSINESS IS IN ITS EARLY STAGES.

Our NiceTrack system for the Lawful Interception marketplace is particularly designed for the new European Telecommunications Standardization Institute (or ETSI) standard. The implementation of this standard may be very slow and the potential of sales may be limited.

THE PACE OF THE HOMELAND SECURITY SPENDING MAY BE SLOWER THAN ANTICIPATED.

The market for our security solutions in closed circuit television (or CCTV) continuous recording, public safety and law enforcement is highly dependent on the spending cycle and spending scope of the US Homeland Security department as well as local, state and municipal governments and security organizations in international markets. We cannot be sure that the spending cycle will materialize and that we will be positioned to benefit from the potential opportunities.

RISKS RELATED TO OUR ORDINARY SHARES AND ADSS

OUR SHARE PRICE MAY BE VOLATILE AND MAY DECLINE.

Numerous factors, some of which are beyond our control, may cause the market price of our ordinary shares or our American Depositary Shares, or ADSs, each of which represents one ordinary share, to fluctuate significantly. These factors include, among other things, announcements of technological innovations, customer orders or new products by us or our competitors, earning releases by us or our competitors, market conditions in the industry and the general state of the securities markets, with particular emphasis on the technology and Israeli sectors of the securities markets.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

OUR OPERATING RESULTS IN ONE OR MORE FUTURE PERIODS MAY FLUCTUATE SIGNIFICANTLY AND MAY CAUSE OUR SHARE PRICE TO BE VOLATILE.

Our quarterly operating results may be subject to significant fluctuations due to various factors, including the length of the sale cycles, the timing and size of orders and shipments to customers, variations in distribution channels, mix of products, new product introductions, competitive pressures and general economic conditions. In particular, the COMINT/DF products are long-term projects that may also affect quarterly results. Because a significant portion of our overhead consists of fixed costs, our quarterly results may be adversely impacted if sales fall below management's expectations. In addition, the period of time from order to delivery of our Audio and Video Platforms and Applications is short, and therefore our backlog for such products is currently, and is expected to continue to be, small and substantially unrelated to the level of sales in subsequent periods. As a result, our results of operations for any quarter may not necessarily be indicative of results for any future period. Due to all of the foregoing factors, in some future quarters our sales or operating results may be below our forecasts and the expectations of public market analysts or investors. In such event, the market price of our ordinary shares and ADSs would likely be materially adversely affected.

ITEM 4. INFORMATION ON THE COMPANY.

GENERAL

Our legal and commercial name is NICE Systems Ltd. We are a company limited by shares organized under the laws of the State of Israel. We were originally incorporated as NICE Neptun Intelligent Computer Engineering Ltd. on September 28, 1986 and renamed NICE-Systems Ltd. on October 14, 1991. Our principal executive offices are located at 8 Hapnina Street, P.O. Box 690, Ra'anana 43107, Israel and the telephone number at that location is +972-9-775-3030. Our agent for service in the United States is our subsidiary, NICE Systems Inc., 301 Route 17 North, Rutherford, New Jersey 07070.

PRODUCTS/MARKETS OVERVIEW

1) VOICE PLATFORMS AND APPLICATIONS

PRODUCTS

Our Voice Platforms and Applications include recording, monitoring, quality management and business performance management solutions which are designed to protect businesses and customers against risks posed by lost or misinterpreted voice or data transmissions and capture, evaluate and analyze customer interactions in order to improve contact center agent performance, business processes and the customers' experience.

Voice recorders (or loggers) are systems that capture and record large volumes of voice data transmitted over multiple telephone or other communication lines and allow users to retrieve and playback specific communication data. Traditional voice recorders were based on analog reel-to-reel technology, which limited an organization's ability to store and retrieve data efficiently, and which could not interface with digital computer and telecommunication networks. In the early 1990s, analog reel-to-reel recorders began to be replaced with analog VHS-based products and, more recently, by digital products, including those based on magnetic disk, optical disk or digital audio tapes (or DAT). Organizations' growing needs to record, process and store large amounts of voice data resulted in the introduction of digitally-based voice recording systems characterized by increased performance and improved system economics. Digital multi-channel recording systems enable simultaneous recording and logging of a large number of channels, while enabling a large number of users to process voice data simultaneously. Digital systems' advantages over traditional analog systems include the immediate random access to recorded data, open connectivity and compact size of both the recording unit and storing and archiving media. Advanced, industry-standard, digital voice recording systems employing CTI technologies allow for integration of the recording and retrieval functions with organizations' computer and telecommunications networks, thereby delivering maximum business benefits, increased user efficiency, and wider access for a larger numbers of users. The demand for sophisticated CTI digital voice recording systems is increasing as a result of the increased demand for digital recording systems, particularly in the contact center market and the conversion by the large installed base of analog systems to digital technology, specifically in the financial institutions, public safety and ATC markets.

NiceLog, our flagship digital voice recording system, is a computer telephony integrated multi-channel voice recording and retrieval system. NiceLog is an open architecture system based on PC architecture and advanced audio compression technology that performs continuous, reliable recordings of up to thousands of analog and digital telephone lines, as well as radio channels, and enables simultaneous access by multiple users. NiceLog can be used either as a stand-alone unit or as part of a highly expandable and scaleable system comprised of several seamlessly integrated units. Each NiceLog unit can simultaneously record, monitor, archive and playback up to 224 channels allowing for substantial space saving. NiceLog's open architecture provides a wide variety of connectivity options to computer networks such as Novell/IPX and TCP/IP using Windows 95, Windows NT, Windows 2000, Windows XP and UNIX operating systems, and telecommunication interfaces such as T1, E1, ISDN and analog trunks. The modular design of the NiceLog system makes it a powerful voice management tool that can be expanded to satisfy customers' needs by integrating it with additional NiceLog units on the same local area network, or LAN.

The NiceLog's system administrator software enables the system's supervisor to configure individual or multiple voice loggers from the central workstation and to setup passwords for individual users. The supervisor software constantly monitors the integrity of the system and displays error or warning messages when storage capacity is low or if there are any other problems with the system. The voice recorders are activated by commands received from a workstation through a LAN. NiceLog stores all information on hard disk for immediate retrieval, and on DAT for long-term archiving, through advanced compression technology. All stored information can be accessed simultaneously by any number of authorized users connected to the LAN through decompression of stored data.

NiceLog`s central storage option can integrate with enterprise storage networks (SAN or NAS) for long term or medium term voice storage. Central storage sites can hold the entire voice recording from all the organization's different sites thus reducing management costs and redundancy. The retrieval process for voice on the central site is fully automatic.

NiceLog's playback function can be activated by any authorized user through a workstation or a standalone PC, connected via a standard network interface. Easy scanning and subsequent instantaneous random access playback of all recorded voice communications can be performed by a single or several authorized users at their desktop with the help of the NiceLog graphical user interface, which operates under a Windows platform. The playback can be routed directly through a speaker or via the private automatic branch exchange (PABX) to the user's phone extension. The playback user interface provides for full playback control, including advanced features such as random jumps, loops and optional variable speed reproduction without pitch distortion.

NiceCLS is an add-on module included in the NiceLog system. NiceCLS is a CTI server connected to the customer's switch, business data system and other NiceLog system components. It collects call details such as start and stop times, extension numbers, caller ID, routing path in the switch, agent identification, agent group, and customer and transaction identification. This information is integrated with the recorded voice, forming a comprehensive call database and enabling additional recording solutions. With this high level of integration, NiceLog provides

additional advanced solutions, such as selective recording and recording on demand, and enables calls to be quickly retrieved and analyzed. The sophisticated indexing of the database enables prompt location and retrieval of recordings. Free-seating environments, such as contact centers and trading floors, where the trader or agent may log-in to any telephone station, require NiceCLS' capabilities for immediate recognition of individual users regardless of the telephone or channel accessed. NiceCLS also enables cost-effective trunk-side recording. NiceCLS can be adapted to the customer's needs based on the host environment and the size and type of database.

NiceCall Focus is a voice recording system that records up to 32 input channels and provides up to 4000 hours of on-line voice storage capacity. NiceCall Focus is the next generation product replacing the NiceCall product. NiceCall Focus provides organizations that have a relatively small number of input channels, such as public safety agencies, with a competitively priced yet technologically advanced digital recording product that offers many of the connectivity and processing features of the NiceLog. NiceCall Focus is being targeted primarily at public safety facilities, including 911 emergency centers and utilities, as well as small bank branches, financial trading sites, and contact centers.

NiceUniverse, introduced in February 1998, is a comprehensive quality management solution used to evaluate agent performance and to raise the level of customer service in contact centers through advanced voice and desktop screen recording technologies. The NiceUniverse system provides objective evaluation tools and helps identify training requirements for contact center agents, including real-time monitoring for instant access to live customer interactions and enhanced reporting and administration features. NiceUniverse uses a CTI that integrates with ACDs. This enables NiceUniverse to monitor and record agent sessions (voice and screen) on a user-defined schedule and store them in compressed digital format. Sessions are later retrieved by the reviewers from their network PCs, and agent performance is graded using customized on-screen templates. From these templates and other data, NiceUniverse generates detailed reports, statistics and graphs to help identify training requirements and set relevant benchmarks for contact center agents.

Through the acquisition of TCS, NICE provides first responders and air traffic control organizations with a full range of recording features for voice, radio and trunked radio, including on-line access to hundreds of hours of recording for a quick response time, a choice of different types of archiving media, and a dubbing capability to edit calls on-line for courtroom presentations. The system enables the organizations to re-construct scenarios, investigate and improve performance. NICE is a leader in this market and our products are currently being used in a significant number of air traffic control facilities, including FAA and NAV Canada, as well as large police, transportation, emergency services command and control centers.

The underlying voice recording platforms used in the public safety marketplace are similar to the products described above. Their primary use is to record and replay voice conversations and associated data in order to be able to reconstruct and analyze incidents that have occurred. However, there are some significant technical differences owing to the need in many cases to capture not only voice traffic coming into and out of the public service command and control center, e.g. a 911 center, but also the radio traffic that is occurring between the command and control center and the field personnel. Hence the technical interfaces and architecture of the products are often different to those required for commercial environments.

The other major difference is that there may be the need to replay and analyze multiple conversations that occurred in connection with an event in order to fully analyze it. For example, it may be necessary to replay, in synchronism, many different radio channels, together with the radio dispatch conversations, together with the telephone conversations from multiple callers.

Our public safety products range in size and complexity from small, single-site single- recorder systems to large, multi-site, multi-recorder systems integrated with trunked radio and computer-aided dispatch systems. Below is a description of our public safety products.

Wordnet is a medium sized recording system and its current Series 3 version is available with up to 128 channels per unit. Multiple units can be configured into a larger, integrated system of many hundreds or thousands of channels. Wordnet has a wide range of analogue and digital interfaces, to the telecommunications networks that it is recording from and stores the digitized voice and other data on internal hard disk and optional additional external RAID hard disk storage systems. Voice recordings and associated data can be archived for long term retention onto DVD disks or VXA tapes. Wordnet is usually connected to a LAN to provide access to the system management and replay applications that run on separate PC servers. Wordnet has a powerful CTI capability and can be integrated with a wide range of proprietary CTI interfaces from companies including Aspect, Siemens, Avaya, Damovo, Nortel, Alcatel, Motorola and BT.

Mirra is a small recording system that is particularly suited to simple recording applications in which it can record up to 32 channels of voice traffic from a wide variety of analogue and digital interfaces. Mirra has been designed to be simple to install, operate and maintain and has been sold into many local, city and state public safety organizations that have a single site operation. Digitized voice and associated data are stored onto DVD disks that provide a robust and long-term archive medium. Mirra's design avoids using an internal hard disk for the operating system and consequently it starts-up very rapidly and avoids the maintenance liabilities associated with hard disks.

Tienna is a large recorder that is designed to form part of a Renaissance solution. Renaissance solutions are used when the customer has a complex requirement typically involving multiple recorders, multiple sites and dual-redundant components in order to provide very high performance and resilience. Tienna can provide up to 480 channels per unit and multiple units can be interconnected to form a system of many thousands of ports. Tienna is unique in that it provides dynamic channel allocation between the active ports on the recorder and a greater number of channels on the networks to which it is connected. This provides a more efficient use of the system's resources than a permanent 1:1 connection of channels to ports. Tienna contains internal hard disks for short term storage but relies upon the Renaissance Centralized Mass Storage Unit (CMSU) for all medium and long term storage and for archiving onto tapes.

Renaissance solutions can incorporate combinations of Wordnet and Tienna recorders as well as the Central Mass Storage Unit (CMSU), Calls Database and Replay Server. These components operate together in a networked configuration to provide a complete recording solution and can be fully duplicated in order to provide very high levels of redundancy and reliability.

MARKETS

The market for digital voice recording, quality monitoring and performance management products has experienced steady growth in recent years as a result of the increase in the use of telephones to obtain information, to initiate business and consumer contacts, to provide services such as banking and insurance, and to sell products through contact centers.

Users of our Voice Platforms and Applications, include financial institutions, such as brokerage and trading houses; contact centers, such as telemarketing, telebanking and teleinsurance facilities; public safety and transportation agencies, such as police, fire and ambulance departments; ATC centers; and intelligence agencies.

FINANCIAL INSTITUTIONS. Financial institutions conduct a substantial portion of their business over the telephone and are increasingly relying upon their ability to record, store and retrieve voice data of transactions in a timely, reliable and efficient manner. Brokers and dealers record and store recordings of transactions to provide back-up and verification of such transactions and to guard against risks posed by lost or misinterpreted voice communications. Our customers in the financial institutions market include ABN AMRO Bank, Chase Manhattan Bank, Citibank, Deutsche Bank, Dresdner Bank, First Chicago NBD, CIBC Oppenheimer, Bank of America, the Sydney Futures Exchange and many others.

CONTACT CENTERS. Businesses and other organizations are increasingly using dedicated centers for processing and managing high volumes of incoming and outgoing customer telephone traffic. Contact centers have been used extensively in such fields as credit card and consumer collections, telebanking, teleinsurance, catalog sales, telemarketing and customer service. In these contact centers, activities such as placing and receiving telephone calls are linked to database management computer functions to capture, store and report relevant customer information. Typically, the contact center is the primary "hub" within an organization for placing or receiving a large volume of customer calls. Customer service representatives are the contact center's workforce responsible for talking with customers about subjects, including reservations, product information, account information, and problem resolution. As the importance of the contact center has increased and as more functions and capabilities have been combined, a parallel industry has emerged. This industry creates and supports the systems, software and services that are designed to make these contact centers efficient, effective and well matched to the broader corporate mission of the enterprise. The contact center market, particularly in the United States, has been increasingly using continuous and random voice recording systems to enable storage of the details of telephone orders and other transactions, supervision of contact center operators and campaigns, and evaluation of salespersons' efficiency, customer service and training. Users of the NiceLog system in this market include Addison Lee, Banque Directe, British Gas, Halifax Direct, The Montana Power Company, Thomas Cook, Vodafone Connect and Yorkshire Electricity. Users of our NiceUniverse quality management system include APAC Customer Services, Arch Communications, Boston Communications, Electric Insurance Company, and TeleTech Holdings.

PUBLIC SAFETY AND EMERGENCY SERVICES. These organizations include police, fire, ambulance, coastguard, mountain rescue and other similar public and private bodies that respond to calls for assistance from the public. In most cases, local, state or federal law requires that all communications traffic be recorded in order that evidence can be provided in courts of law, and in order that the public safety body can verify that it is following prescribed processes and meeting performance standards. Our customers in the public safety market include: New York Police Department, Los Angeles Police Department, Chicago Police Department, Indiana State Police, New Jersey State Police, Seattle Fire Department, US Department of Defense, Hampshire Police – UK and Hertfordshire Police – UK.

PUBLIC TRANSPORT AGENCIES. These organizations include rail, bus and mass transit metro systems. They use large-scale, distributed, fixed and mobile communications networks in order to provide command and control capabilities between the mobile units and one or more control rooms. In the event of an incident, they are required to be able to produce recordings of all associated communications traffic. Many of these organizations are implementing the latest generation of digital trunked radio systems according to one of the several international standards, such as TETRA, Tetrapol or APCO25, and the recording system is required to interface to these radio systems in order to capture and identify all radio traffic. Our customers in the public transportation market include authorities like Singapore Mass Transit Authority and Railtrack – UK.

AIR TRAFFIC CONTROL. The ATC market is a traditional user of voice recording systems due to mandatory requirements for the recording of voice communications and radio transmissions. ATC centers are evaluating the need to upgrade their voice communications recording and archiving systems by installing digital voice loggers. NiceLog was selected by the FAA as the voice recording system to be installed in over 800 ATC centers in the United States. NiceLog and Wordnet have also been selected by ICAO and other ATC authorities in Austria, Canada, China, Croatia, Cyprus, Finland, Germany, Hong Kong, Hungary, Kazakhstan, Iceland, Israel, Japan, the Maldive Islands, the Netherlands, Norway, Poland, Romania, Switzerland and Turkey.

INTELLIGENCE AGENCIES. Law enforcement and intelligence agencies collect large amounts of information in various media for analysis and evaluation, although only a small portion of that information is valuable. Intelligence agencies require sophisticated multi media recording systems that enable the recording, retrieval and processing of the information gathered for purposes of analysis and evaluation. Users who have installed NiceLog or Wordnet systems, either as stand alone systems or in combination with other systems, include intelligence agencies in more than twenty countries.

SALES AND MARKETING, STRATEGIC RELATIONSHIPS

We market, distribute and service our Voice Platforms and Applications worldwide primarily through independent dealers that predominantly specialize in the voice recording market and contact center market, as well as through our own sales and technical support force in the United States, Canada, Germany, the United Kingdom, France, Hong Kong and Israel. Most of the sales made by our sales force are made to our distributors, who then install the systems and provide day-to-day support to end-users.

In the Financial Trading segment, we have established marketing, sales and support arrangements with leading suppliers of complementary products such as IPC and Etrali, two leading suppliers of telephony switching equipment to financial institutions and trading rooms. These companies market and distribute our products to their customers either as stand-alone systems or as integrated components of their own systems, as follows:

- An OEM agreement with IPC Information Systems, Inc. IPC, a leading provider of integrated communications solutions to the financial services community, has embedded a NiceLog platform customized for IPC into IPC's Alliance MX product line and sells this product as an integral part of the IPC product.

- A marketing agreement with Etrali S.A., a telecom integrator serving the financial community. Etrali is the European leader of dealerboard systems for trading rooms. Etrali and we have closely integrated our products for dealing rooms, which are distributed globally by Etrali S.A.

- A marketing agreement with BT Syntegra, BT's selling and integration company in the trading floor segment.

In the Contact Center segment, we have also entered into global distribution agreements with Avaya Inc. (formerly the Enterprise Network Group of Lucent Technologies), Siemens and Alcatel, as follows:

- A marketing partnership with Avaya Inc. (formerly the Enterprise Network Group of Lucent Technologies). Avaya is the leading global provider of enterprise business communication platforms in voice, e-business and data. Avaya is co-selling our Voice Platforms and Applications to its customers globally. In addition, and following our acquisition of CenterPoint Solutions, Avaya sells our NICE ANALYZER(TM) software as part of its software application suite.

- A non-exclusive marketing and reseller collaboration with Alcatel, Siemens and Philips.

- We also participate in an alliance program with Aspect Telecommunications Ltd. to ensure the compatibility of our call center product line with Aspect's automatic call distribution systems and to promote this integration through Aspect's marketing materials. Additionally, we participate in an alliance program with Aspect to promote the compatibility of the NiceLog system with Aspect's automatic call distribution systems through Aspect's marketing materials.

- We also integrate our products with Siebel Systems and Amdocs (Clarify Inc.) in the CRM Space. These integrations with leading CRM providers enable our customers to capture and enhance their customers' entire experience in the contact center from start to finish and to more tightly integrate the functionality delivered by our products into their business environment.

In the public safety market we distribute our products worldwide through a network of over 100 national and local independent dealers and distributors that also provide installation and maintenance services.

- A marketing agreement with Motorola Inc. for the co-marketing and resale of our range of products for the public safety market in North American and International markets. This relationship includes the appointment of NICE as the only authorized Dimetra Application Partner for Motorola's trunked radio solutions.

- We also market and sell systems through major regional or global partners, such as BT, Siemens, Damovo, Marconi, Nokia and Alcatel.

In the ATC market, we have been awarded contracts for installation of NiceLog systems on the basis of bids submitted to ATC authorities by Denro Systems, Inc. (part of Northrup Grumman, Inc.) and others that incorporated NiceLog as the voice recording system as part of their proposal. Pursuant to an agreement dated August 1995 between the FAA and Denro, NiceLog was selected as the voice recording system to be installed in various ATC centers in the United States. We provide the NiceLog cards (including software) to Denro and Denro assembles and installs the NiceLog cards.

2) DIGITAL VIDEO PLATFORMS AND APPLICATIONS

PRODUCTS

NiceVision is a state-of-the-art digital video and audio recording system that provides continuous closed circuit television, or CCTV, recording, archiving, and debriefing capabilities that meet the needs of today's demanding security environment, including central banks, Fortune 500 companies, transportation facilities, prisons, and casinos.

Our NiceVision product line consists of the NiceVision Pro and the NiceVision Harmony The NiceVision Pro is a premium solution designed for high-end applications requiring high- frame rate and/or a large number of cameras in a campus environment. Typical environments for the Pro are airports, casinos, ground transportation facilities, etc. The Pro accommodates 96 video channels in half real time (48 real time) in one single box and can handle storage devices in the range of tera-bytes. These devices are of two types: disk based on-line storage (internal drives or RAIDs) and tap-based off-line juke box devices.

The NiceVision Harmony is a mid-range digital video recording solution designated for sites accommodating a large number of cameras yet requiring a variety of frame rates per channel, spanning from single frames per second to full frame rate, when required. Typical environments for the Harmony are retail shops, certain bank facilities, corporate buildings, etc. The Harmony caters for 64 video channels with a preset frame rate shared between groups of channels. The Harmony can also support large storage devices as the Pro.

MARKETS

The market for Digital Video platforms, which provide continuous video surveillance and recording for security protection purposes, is currently unfolding as CCTV applications shift from traditional analog recorders to digital recorders. Users of our digital video recording systems include correctional facilities, banks, telecommunication data-center hosting centers, retail, casinos, transportation and city centers.

Customers for our products include the Bank of England, Dell Computer Corporation, Atlanta Hartsfield International Airport, Toronto Pearson International Airport, the Helsinki Railway Station - Finland, Casino Cosmopol in Sweden, the Metropolitan Nashville Airport Authority, correctional facilities in Brooklyn, New York, and Rush City, Minnesota, Wycombe District Council and Dulwich College - UK and the Palace Indian Gaming Center of Lemoore, one of California's largest gaming facilities,.

SALES AND MARKETING, STRATEGIC RELATIONSHIP

We have a dedicated sales organization for the NiceVision digital video recording system. We use a network of dealers and security systems integrators for the sale, installation and support of our solutions. Most of our NiceVision sales and marketing organization focuses on the U.S. market and we have started to develop the European market through a team in the U.K. and Israel. In North America we work through key partners such as Siemens Building Technologies and Diebold. In EMEA we have recently started to work with Thales Security and Surveillance group.

3) LAWFUL INTERCEPTION

PRODUCTS

In 2001, we introduced NiceTrack(TM), a telecommunications monitoring system for the government law enforcement markets, that meets the United States CALEA (Communications Assistance for Law Enforcement Act) requirements according to the standard defined by TIA (Telecommunication Industry Association), and the European ETSI (European Telecommunications Standard Institute) standard. NiceTrack(TM) enables government law enforcement agencies to monitor the calls of targets, which are intercepted by the service providers and delivered to the monitoring agencies.

NiceTrack(TM) is a comprehensive solution for monitoring a wide range of targets' telecommunications and in-depth analysis of their related meta-data. NiceTrack(TM) monitors a variety of communications media, including analog lines, fixed telephony, cellular networks, SMS, fax, data and Internet networks. Internet monitoring may be implemented as a stand-alone system or may be fully integrated with the telephony monitoring system, providing a unified monitoring center.

NiceTrack(TM), as a lawful interception solution, is fully compliant with the international standards set by ETSI standard 201671 and the American TIA (J-std-025).

MARKET

The market for telecommunications monitoring systems for government law enforcement and intelligence agencies has undergone some drastic changes in the last few years. Standards defining the methods and the protocols of delivery of the intercepted targets' communications by the service providers to the law enforcement agencies have been released by the American TIA, the European ETSI and by other countries. These standards are being adopted by governments through new regulations which place the responsibility of interception of targets' traffic on the service providers and requires them to comply with these standards. Additionally, these new regulations expand the freedom and scope of monitoring targets' telecommunications.

SALES AND MARKETING

We have a dedicated sales and marketing organization for the NiceTrack system. We market the system worldwide through our direct sales force and through distributors.

4) COMINT/DF

PRODUCTS

We develop, design, manufacture and market COMINT/DF systems, which are used primarily for spectrum monitoring, signal tracing and direction finding applications. Our COMINT/DF systems can be installed on a wide range of platforms, including mobile and fixed ground installations as well as aboard airplanes and ships. Users of our COMINT/DF systems include government agencies, primarily intelligence gathering organizations. These systems are tailored to the specific requirements of users. In addition, our COMINT/DF systems may be used, in the future, by ATC centers in order to detect the direction of aircraft and for spectrum surveillance for commercial applications such as locating the unauthorized use of frequencies.

Our COMINT/DF principal systems are the CDF 1500 and the CDFS-5000, powerful spectral surveillance and direction finding systems that operate in the 1.5-1200 MHz frequency range (CDF 1500) and in 0.5 to 3000 MHz frequency range (CDFS-5000), enabling users to detect, locate and monitor transmitted communications signals. Our NiceFix COMINT/DF system is specially adapted for the ATC and VTS (Vessel Traffic Service) markets. We are currently in the final developing phase of the CDFS-5000 product family, with first deliveries expected in 2003. This system is based on wide band receiver technology and software radio digital processing platforms designed to provide a solution for the communication transmissions.

Our COMINT/DF systems are usually combined with our voice recording systems, enabling the monitoring of detected transmissions as well as storage and retrieval of the transmitted data. As a result, our COMINT/DF systems provide users with the capability of archiving large volumes of recorded information and applying sophisticated database management for automatic retrieval and analysis.

The COMINT/DF systems can operate either as a stand alone single sensor to measure direction of arrival, or to locate the transmitting object when using two or more sensors. This information is stored on the system data base, enabling retrieval of all relevant data, of transmitted communications. Our COMINT/DF systems' modular approach, open system architecture and use of commercial off the shelf, or COTS, elements enable us to cost effectively tailor the interfaces and other features of the system to address the highly specialized needs of individual users.

Our COMINT/DF systems are used by governmental/intelligence agencies in order to detect and measure the direction of transmission signals. The Nicefix COMINT/DF system is used by ATC/VTS centers to locate aircraft/vessels by measuring the direction of the aircraft/vessel communications signal. This data is then used by the control tower operator to direct the aircraft/vessel. To date, our COMINT/DF systems are in use by more than ten governments/agencies.

SALES AND MARKETING

We sell standard systems to systems houses such as Elisra Electronic Systems Ltd. as well as custom-made systems tailored to the specific needs of their respective customers. These companies market and distribute our product primarily to foreign governments and governmental agencies as integrated components of their sophisticated intelligence systems. Our relationships with the systems houses allow us to take advantage of their strengths in selling integrated communication intelligence and electronics systems to governments.

MANUFACTURING AND SOURCE OF SUPPLIES

Our products are built in accordance with industry standard infrastructure and are PC compatible. The hardware elements in our products are based primarily on standard commercial off the shelf components and utilize proprietary in-house developed circuit cards and algorithms and digital processing techniques and software. In the fourth quarter of 2002, we started selling "software only" solutions for screen loggers, based on standard HP and IBM servers.

Prior to the first quarter of 2002, our manufacturing operations consisted primarily of final assembly and testing of components and subassemblies. We manufactured our CTI and NiceVision products in our facility in Ra'anana, Israel and our COMINT and special NiceLog systems in our facilities in Ra'anana and Sunnyvale, California.

During the first quarter of 2002, however, we began implementation of a contract manufacturing agreement with Flextronics Israel Ltd., a subsidiary of a global electronics manufacturing services (EMS) company. Under this agreement Flextronics is providing us with a turnkey manufacturing solution from order receipt to product shipment including purchasing, manufacturing, testing and configuration. This agreement covers all of our product lines, including our voice recording family of products, our video product lines, our upgrade lines and our spare parts and RMA. We believe this outsourcing agreement provides us with a number of cost advantages due to Flextronic's large-scale purchasing power, and greater supply chain flexibility. We completed the transfer to Flextronics of the production for all our products during the second half of 2002.

Some of the components have a single approved manufacturer while others have two or more options for purchasing. In addition, for some of the components and subassemblies we maintain an inventory to limit the potential for interruption. We also carry out OEM relationships directly with some of the more significant manufacturers of our components. Although certain components and subassemblies we use in our existing products are purchased from a limited number of suppliers, we believe that we can obtain alternative sources of supply in the event that such suppliers are unable to meet our requirements in a timely manner.

We also have a contract manufacturing agreement entered into by TCS prior to its acquisition by NICE, with Instem Technologies Ltd, a UK company. Under this agreement Instem is the exclusive manufacturer of all TCS products. This manufacturing facility is located in the UK.

Quality control is conducted at various stages at our manufacturing outsourcers' facilities and at their subcontractors' facilities. Quality control for the COMINT DF systems is conducted at our facility. We generate reports to monitor our operations, including statistical reports that track the performance of our products from production to installation. This comprehensive data allows us to trace failure and to perform corrective actions accordingly.

Our manufacturing operation has qualified for and received the ISO-9002 quality standard for all of our products. Additionally, our COMINT/DF systems are qualified for and have received the ISO-9001 quality standard.

SERVICE AND SUPPORT

We have focused on building a strong service and support organization for all our systems. Our dealers, as well as other telecommunications companies that market our products, are primarily responsible for supporting the day-to-day requirements of the end-users, while we provide technical support to such dealers and partners. In order to support our direct customers and partners, we established three regional support centers, the largest of which in Denver, Colorado, to support our U.S. customers and partners, as well as one in Hong Kong to support APAC customers, dealers and partners, and one in the UK to support EMEA customers, dealers

and partners. We maintain at our headquarters a staff of highly skilled customer service engineers that offer support to our dealers or partners that offer direct support to our customers. These service engineers, as well as additional service engineers located in our offices in the United States, EMEA and APAC, provide first class field services and support worldwide. We maintain regular training sessions for our dealers and installation support as well.

In 2002, we significantly increased the revenues from services while successfully integrating the TCS services group. We now have a consolidated support group delivering services to both NICE and TCS business partners and customers.

Our systems are generally sold with a warranty for repairs of hardware and software defects and malfunctions, the term of which is usually one year after shipment. Longer warranty periods are applicable to sales in certain international and government markets. Extended warranty and service coverage is provided in certain instances and is usually made available to customers through our distributors on a contractual basis for an additional charge. Our customers may purchase a renewable maintenance agreement from our dealers or directly from us. The maintenance agreements generally provide for maintenance, upgrades of standard system software and on-site repair or replacement.

Due to the nature of the end-user market for our COMINT/DF systems and their marketing channels, we are not ordinarily required to provide for their service and support. Such end-users normally maintain their COMINT/DF systems with their own personnel.

For our telecommunications monitoring systems, we provide first and second tier service and support either directly using our support organization or indirectly through local companies working closely with the law enforcement agencies.

RESEARCH AND DEVELOPMENT

We believe that the development of new products and the enhancement of existing products are essential to our future success. Therefore, we intend to continue to devote substantial resources to research and new product development, and to continuously improve our systems and design processes in order to reduce the cost of our products. Our research and development efforts have been financed through our internal funds and programs sponsored through the Government of Israel. We believe our research and development effort has been an important factor in establishing and maintaining our competitive position. Gross expenditures on research and development in 2000, 2001 and 2002 were approximately $25.4 million, $26.0 million and $24.7 million, respectively, of which approximately $1.2 million, $1.4 million and $2.2 million, respectively, were derived from third-party funding, and $4.7 million, $5.4 million and $4.6 million, respectively, were capitalized software development costs.

As of January 1, 1999, we have been qualified to participate in an Israeli government-aided consortium to develop generic technology relevant to the development of our wide band products, from which we received $240,000 in 1999. In 2000, we were qualified to participate in three additional Israeli government-aided consortiums for the development of generic technology related to our products. In 2002, we were qualified to participate in two additional Israeli government-aided consortiums for the development of generic technology related to our products. In 2000, 2001, 2002 we received a total of $1,330,000, $1,318,000 and $1,925,000, respectively, and we anticipate receiving approximately $1,600,000 in 2003 from these plans. The generic technology plans are not subject to royalty payments.

We are eligible to receive grants, constituting up to 66% of certain research and development expenses, from the Government of Israel, through the Office of the Chief Scientist, or OCS, for the development of products intended for export. Under the terms of the OCS participation, a royalty of 3% to 5% of the net sales of products developed in, and related services resulting from, a project funded by OCS generally is required to be paid beginning with the commencement of sales of such products and ending when 100% to 150% of the grant is repaid in New Israeli Shekels, or NIS, linked to the dollar plus Libor interest. In 1999, 2000, 2001 and 2002, we incurred royalties on sales of such products in the amounts of approximately $395,000, $227,000, $4,000 and $0, respectively. As of May 31, 2002, we have no further royalty obligations to the OCS. Terms of Israeli Government participations also require that the research and development be conducted by the applicant for the grant as specified in the application and that the manufacturing of products developed with government grants be performed in Israel, unless a special approval has been granted. Separate Israeli Government consent is required to transfer to third parties technologies developed through projects in which the government participates. Such restrictions, however, do not apply to exports from Israel of products developed with such technologies. From time to time the Government of Israel has revised its policies regarding the availability of grants, and there can be no assurance that the Government's support of research and development will continue.

INTELLECTUAL PROPERTY

We currently rely on a combination of trade secret, patent, copyright and trademark law, together with non-disclosure and non-compete agreements, to establish and/or protect the technology used in our systems. We hold the following seven issued U.S. Patents:

- No. 5,861,959 titled "Facsimile Long Term Storage and Retrieval System"
- No. 5,937,029 titled "Data Logging System Employing M[N + 1] Redundancy"
- No. 6,122,665 titled "Communication Management System"
- No. 6,046,824 titled "CIF - Facsimile Long Term Storage and Retrieval System"
- No. 6,330,025 titled "Digital Video Logging System"
- No.6,542,602 titled "Telephone Call Monitoring System"
- No. 5,353,168 titled "Recording and Reproduction System using Time Division Multiplexing.

We currently have three other patents issued in additional countries and 46 patent applications pending in the U.S and other countries. We believe that the improvement of existing products, and the development of new products are important in establishing and maintaining a competitive advantage. We believe that the value of our products is dependent upon our proprietary software and hardware continuing to be "trade secrets" or subject to copyright protection. We generally enter into non-disclosure and non-compete agreements with our employees and subcontractors. However, there can be no assurance that such measures will protect our technology, or that others will not develop a similar technology or use technology in products competitive with those offered by us. Although we believe that our products do not infringe upon the proprietary rights of third parties, there can be no assurance that one or more third parties will not make a contrary claim or that we will be successful in defending such claim.

In June 2000, Dictaphone Corporation, one of our competitors, filed a patent infringement claim relating to certain technology embedded in some of our products. The claim is for damages for past infringement and enjoinment of any continued infringement of Dictaphone patents. In the court's discretion, the damages may be trebled and attorney fees awarded. As a result we might be forced to pay significant damages and licensing fees, modify our business practices or even be enjoined from conducting a significant part of our U.S. business. Any such results could materially harm our business. We believe, however, that we have a valid defense to this claim and are vigorously defending it. We have received notification from our insurance company indicating that the claim is not covered by our insurance policy; however, our insurance company has agreed to reimburse for us all legal expenses that we are expending in defense of the claim while reserving its final decision on this matter until the final outcome of the litigation. The discovery period is closed, dispositive motions have been filed with the Court, and we are awaiting the Court's decisions on these motions as well as scheduling for trial.

In April 2002, we received a letter from Dictaphone stating that several of our products were using technology protected by additional Dictaphone patents and offering us a licensing arrangement for these patents. We believe that none of our products infringe upon those patents.

From time to time, we receive "cease and desist" letters claiming patent infringements, however, no formal claims or other actions have been filed with respect to such letters. We believe that none of these has merit. We cannot assure you, however, that we will be successful in defending the Dictaphone infringement claim or other claims, or that infringement claims or other claims, if asserted, will not have a material adverse effect on our business, financial condition and results of operations. Defending the infringement claim or other claims could involve substantial costs and diversion of management resources. In addition, to the extent we are not successful in defending such claims, we may be subject to injunctions with respect to the use or sale of certain of our products or to liabilities for damages and may be required to obtain licenses which may not be available on reasonable terms.

We own the following trademarks: 3600 View, Agent@home, 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, NICE Playback Organizer, Renaissance, 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, and Wordnet are trademarks of ours. Applications to register certain of these marks have been filed in certain countries, including Australia, Brazil, the European Union, Germany, Great Britain, Israel, Japan, Mexico, Argentina and the United States. Some of such applications have matured to registrations.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

REGULATION

The export of certain defense products from Israel, such as our COMINT/DF and NiceTrack(TM) products, requires a permit from the Defense Sales and Exports branch of the Israeli Ministry of Defense (SIBAT). In 2002, approximately 6.3% of our sales were subject to such permit requirements. Additionally, certain components of our COMINT/DF systems are manufactured in the United States, requiring us to obtain a license from the United States government for the sale of such products. To date, we have encountered no difficulties in obtaining such licenses.

COMPETITION

The market for our Voice Platforms and Applications is highly competitive and includes numerous products offering a broad range of features and capacities. As the market is still developing, we anticipate that a number of our existing and potential competitors will be introducing new and enhanced products. Some of our competitors in the digital voice recording and quality management for contact center agent monitoring businesses include Dictaphone Corporation, Witness Systems ,Inc., Teknekron Infoswitch Corporation (now called e-talk), and Verint Systems Inc. (formerly Comverse Infosys), a subsidiary of Comverse Technology Inc.

We believe that competition in the sale of our Voice Platforms and Applications is based on a number of factors, including system performance and reliability, the ability to integrate with a variety of other computer and communications systems, marketing and distribution capacity, price and service and support. We believe that the wide range of features provided by the NiceLog system and related applications, their wide connectivity and compatibility with telephone and computer networks and their ease of use create a competitive advantage to the NiceLog and such related applications compared to other similar systems currently being offered on the market.

There are several small competitors who have products that compete with our Video Platform and Applications, however our main competitors in this market are Loronix Information Systems, Inc (a wholly owned subsidiary of Verint Systems Inc.), Lennel and Dallmeier.

In the public safety market, there are a number of competitors providing solutions, including Mercom Inc, CVDS Inc, Voiceprint Inc, Dictaphone Corporation and Witness Systems, Inc.

We are aware of a limited number of manufacturers of systems for defense applications that compete with our COMINT/DF systems such as Rhode & Schwartz, Thales, Tadiran Ltd. and Elta Electronic Industries Ltd. We believe that our COMINT/DF systems offer high performance for relatively moderate price and therefore have a competitive advantage over other COMINT/DF systems, which may require large expenditures by the customer.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

There are a number of competitors in the telecommunications monitoring market, having products competing with our NiceTrack(TM) system, the major ones being Verint Systems Inc., Ectel Ltd., and ETI. We believe that our solution offers innovations that provide the law enforcement agencies the tools and capabilities they require to meet the challenges of today's advanced telecommunications world, as well as being price competitive.

ORGANIZATIONAL STRUCTURE

The following is a list of all of our significant subsidiaries, including the name, country of incorporation or residence, and the proportion of our ownership interest in each.

NAME OF SUBSIDIARY	COUNTRY OF INCORPORATION OR RESIDENCE	PERCENTAGE OF OWNERSHIP INTEREST
NICE Systems, Inc.	United States	100%
NICE Systems GmbH	Germany	100%
NICE Systems Canada Ltd.	Canada	100%
NICE CTI Systems UK Ltd.	United Kingdom	100%
STS Software Systems (1993) Ltd.*	Israel	100%
NICE APAC Ltd.	Hong Kong	100%
NiceEye BV*	Netherlands	100%
NiceEye Ltd.*	Israel	100%
Nice Systems SARL	France	100%
Racal Recorders Ltd	United Kingdom	100%

* Inactive

PROPERTY AND EQUIPMENT

Our executive offices and engineering, research and development operations are located in Ra'anana, Israel, where we occupy approximately 126,000 square feet of space, pursuant to a lease expiring in 2008. This lease may be terminated by us at any time from the year 2003, subject to certain conditions. The annual rent and maintenance fee for the facility is approximately $2.8 million linked to the changes in the U.S. consumer price index. We have various offices and other facilities in North America and in several other countries, as described below.

Our North American facilities consist of:

- Our North American headquarters in Rutherford, New Jersey, which occupy approximately 25,000 square feet with a monthly rental of approximately $57,000 We also have a warehouse facility in Lyndhurst, New Jersey, which occupies approximately 6,000 square feet, with a monthly rental of approximately $5,000;

- Our office in San Diego, California, which occupies approximately 6,250 square feet with a monthly rental of approximately $17,500.

- Our office in Chicago, Illinois, which occupies approximately 3,000 square feet with a monthly rental of approximately $4,500;

- Our office in Denver, Colorado, which occupies approximately 42,000 square feet with a monthly rental of approximately $78,000;

- Our office in New York City, New York, which occupies approximately 4,300 square feet with a monthly rental of approximately $10,000.

Our international facilities consist of:

- Our office in Germany, which occupies approximately 3,000 square feet with a monthly rental of approximately $3,200;

- Our office in London, which occupies approximately 1,430 square feet, with a monthly rental of approximately $16,000; and

- Our office in Southampton which occupies approximately 34,249 square feet ,with a monthly rental of approximately $53,500.

- Our office in Hong Kong, which occupies approximately 3,100 square feet, with a monthly rental of approximately $10,000.

- Our office in France which occupies approximately 1,894 square feet, with a monthly rental of approximately $4,700

We believe that our existing facilities are adequate to meet our current and foreseeable needs.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

We may from time to time make written or oral forward-looking statements, including in filings with the United States Securities and Exchange Commission ("SEC"), in reports to shareholders and in press releases and investor webcasts. You can identify these forward-looking statements by use of words such as "strategy", "expects", "continues", "plans", "anticipates", "believes", "will", "estimates", "intends", "projects", "goals", "targets", and other words of similar meaning. You can also identify them by the fact that they do not relate strictly to historical or current facts.

We cannot assure you that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements and whether to invest or remain invested in NICE Systems Ltd.'s securities. The forward-looking statements relate to, among other things: operating results; anticipated cash flows; gross margins; adequacy of resources to fund operations; our ability to maintain our average selling prices despite the aggressive marketing and pricing strategies of our competitors; our ability to maintain and develop profitable relationships with our key distribution partners, one of which constitutes more than 20% of our revenues, and the financial strength of our key distribution partners.

In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, we are identifying important factors that, individually or in the aggregate, could cause actual results and outcomes to differ materially from those contained in any forward-looking statements made by us; any such statement is qualified by reference to the following cautionary statements. Please read the section below entitled "Factors That May Affect Future Results" to review conditions that we believe could cause actual results to differ materially from those contemplated by the forward-looking statements. You should understand that it is not possible to predict or identify all risk factors. Consequently, you should not consider the following to be a complete discussion of all potential risks or uncertainties. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect our view only as of the date of this report. Except as required by law, we undertake no obligation to update these forward-looking statements to reflect future events or circumstances or the occurrence of unanticipated events.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes and other financial information included elsewhere in this annual report.

OVERVIEW

We develop, market and support integrated, scalable multimedia digital recording platforms, enhanced software applications and related professional services. These solutions capture and analyze unstructured (non-transaction) data, and convert it into actionable knowledge for business and security performance management applications. Our solutions capture multiple forms of interaction, including voice, fax, email, web chat, radio, and video transmissions over wireline, wireless, packet telephony, terrestrial trunk radio and data networks. The markets from which we currently derive the majority of our revenues and expect to continue to do so in the future are highly competitive.

Our products are based on two types of recording platforms - audio and video - and are used primarily in contact centers, trading floors, public safety organizations, transportation, corporate security, gaming and correctional facilities as well as various government and intelligence agencies.

Our development efforts for our recording platforms are aimed at addressing several trends we see developing in the industry. The trend towards the proliferation of voice over IP-based networks is leading to a greater requirement for VOIP recording capabilities in financial trading, contact centers and public safety environments. The continued trend towards replacing analog video recording with digital video recording is leading to the need for network applications in the video recording area.

We also see the continuation of a trend towards requirements for multimedia recording capabilities, particularly in contact centers (voice, fax, email, chat, screen) and public safety (voice, radio, video, data) markets. We are beginning to see this same trend developing in the financial trading sector, and we expect some Homeland Security initiatives in areas such as border control, critical infrastructure security, first responder communications and lawful interception to require multimedia capture platforms as well.

Our software applications enable our customers to capture, store, retrieve and analyze unstructured data (multimedia interactions) and combine them with data from other systems to create actionable knowledge that can be distributed via reports and alerts to all relevant parties to improve performance.

There is growing demand from our customers for software applications that will leverage the wealth of unstructured data captured by the recording platform to improve overall performance. In turn, as these enhanced software applications are being added, customers are considering our systems "mission critical". We see an opportunity for more content analysis applications in contact centers for quality monitoring and contact center management as well as for enterprise-wide process improvement and business performance management. We see a trend towards more software applications in financial trading environment for compliance monitoring and dispute management to improve business performance. We see similar trends happening in digital video recording. We expect video content analysis applications to become increasingly important to building, campus, city center, and infrastructure perimeter security, loss prevention in casinos, retail and warehousing, as well as various homeland security applications to enable proactive security management.

We expect to see an increase in the demand for VOIP recording products, networked video security solutions, and multimedia recording solutions as well as to increase the proportion of software in our product revenue mix and gradually increase the amount of professional services and maintenance revenue.

Our products are sold primarily through a global network of distributors, system integrators and strategic partners; a portion of product sales and most services are sold directly to end-users. One distributor accounted for approximately 22%, 12%, and 19% of revenues in 2002, 2001 and 2000, respectively.

ACQUISITIONS

We have consummated three acquisitions during the past three years. These acquisitions were accounted for as purchases, and, accordingly, the purchase price for each acquisition was allocated to the assets acquired and liabilities assumed based on their respective fair values. The results of operations related to each acquisition are included in our consolidated statement of operations from the date of acquisition. The following are details for each of these acquisitions:

- In November 2002, we consummated an agreement to acquire certain assets and liabilities of Thales Contact Solutions (or TCS), a developer of customer-facing technology for public safety, financial trading and customer contact centers, based in the United Kingdom. TCS was a unit of Thales Group, one of Europe's premier electronics companies. In connection with the acquisition, we paid an initial $29.9 million in cash and issued 2,187,500 ordinary shares to Thales Group at a fair market value of $18.1 million calculated at the date of closing. As a result, Thales Group holds approximately 14% of the Company's shares and two Thales executives were elected to the Board of Directors of NICE.

  Under the terms of the agreement, the cash portion of the purchase price was subject to downward adjustment based on the value of net assets at closing and the full year 2002 sales of TCS. Based on the actual value of net assets acquired and 2002 sales of TCS, we reduced the cash portion of the purchase price as of December 31, 2002 by $12.8 million. This amount is presented on our balance sheet as a Related Party Receivable. Thus, the adjusted purchase price paid, including $4.5 million of capitalized acquisition costs, was recorded as $39.7 million. Of the $12.8 million adjustment referred to above, Thales paid us $6.6 million in March 2003, and pending agreement on the actual value of net assets acquired, we expect to recover the outstanding balance during 2003. Should we and Thales not reach agreement on the net asset value, the matter will be submitted to binding arbitration in accordance with the terms of the acquisition agreement.

  Also under the terms of the agreement, contingent cash payments of up to $10 million in 2003, $7.5 million in 2004, and $7.5 million in 2005 would be due if certain financial performance criteria are met as part of a three-year earn-out provision related to the sale of a particular product in 2002 through 2004. The relevant criteria for 2002 were not met and therefore no contingent payment in respect of 2002 was recorded. Should any contingent payments be made under the agreement in the future, the additional consideration when determinable will increase the purchase price and accordingly additional goodwill will be recorded.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

In the fourth quarter of 2002, we recorded a current liability of $2.8 million and a long-term liability of $13.5 million reflecting obligations under a long-term contract assumed by NICE in the TCS acquisition. We have entered into negotiations to amend this contract but there can be no assurance that we will be successful in these negotiations.

- On December 5, 2000, we completed the acquisition of certain assets and liabilities of Stevens Communications Inc. (SCI). SCI is a systems distributor, whose activities included the promotion, distribution, installation and maintenance of our audio recording products and related software applications in North America. We paid $7.0 million in cash and issued 426,745 ADSs of which 186,818 were deemed target shares contingent upon the achievement of certain objectives and events through 2002 and 38,914 ADSs were allotted for the benefit of certain SCI employees subject to vesting based on continued employment with the Company. The contingent target shares were released to SCI upon agreement as to the achievement of the determined objectives.

  In October 2001, we entered into a final settlement agreement with SCI addressing a dispute with SCI regarding the fair value of the working capital acquired. The terms of the final settlement resulted in a charge to Other Expense, Net of $4.4 million representing settlement of disputed items of $3.6 million and obligations for future consulting services, which were no longer of value to us.

- In April 2000, we acquired all of the outstanding capital stock of Centerpoint Solutions Inc. (CPS) for $3 million in cash and the issuance of 200,000 ADSs of NICE of which 50,000 were deemed target shares contingent upon the achievement of certain objectives, which were not met. CPS is a developer of internet-based applications for statistical monitoring, digital recording and automatic customer surveys for contact centers.

  In November 2002, we entered into a settlement agreement with Doug Chapiewski, the sole shareholder of CPS, in respect of allegations of misrepresentation, breach of contract and securities fraud in connection with the acquisition of CPS. The terms of the settlement agreement, which included 50,000 shares, resulted in a charge to Other Expense, Net of $3.5 million.

CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States ("US GAAP"). Our significant accounting principles are presented within Note 2 to our Consolidated Financial Statements. While all the accounting policies impact the financial statements, certain policies may be viewed to be critical. These policies are those that are both most important to the portrayal of our financial condition and results of operations and require our management's most difficult, subjective and complex judgments and estimates. Actual results could differ from those estimates.

Management believes that the significant accounting policies which affect its more significant judgments and estimates used in the preparation of the consolidated financial statements and are the most critical to aid in fully understanding and evaluating our reported results include the following:

- Revenue recognition
- Allowance for doubtful accounts
- Inventory valuation
- Impairment of long-lived assets
- Deferred income taxes
- Contingencies
- Restructuring expenses

REVENUES. We derive our revenue primarily from two sources: product revenues, which include hardware and software, and service revenues, which include, support and maintenance, installation, consulting and training revenue. Revenue related to sales of our products is generally recognized when persuasive evidence of an agreement exists; the product has been delivered and title and risk of loss have passed to the buyer; the sales price is fixed and determinable, no further obligations exist, and collectibility is probable. Sales agreements with specific acceptance terms are not recognized until the customer has confirmed that the product or service has been accepted.

Revenues from fixed-price contracts that require significant customization are recognized using the percentage-of-completion method generally on the basis of value added and results achieved out of the completeness of the product as a whole.

Revenues from maintenance and professional services are recognized ratably over the contract period or as services are performed.

When transactions involve multiple elements, revenue is allocated to the elements based on Vendor Specific Objective Evidence ("VSOE") of the relative fair values of each element in the arrangement, according to the residual method. Our VSOE used to allocate the sales price to support services and maintenance is based on the renewal price.

To assess the probability of collection for revenue recognition, we have an established credit policy that determines, by way of mathematical formulae based on the customers' financial statements and payment history, the level of open account that is deemed probably collectible for each customer. These credit limits are reviewed and revised periodically on the basis of new customer financial statement information and payment performance.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

We record a provision for estimated sales returns and allowances on product sales in the same period as the related revenues are recorded. We base these estimates on the historical sales returns ratio and other known factors. Actual returns could be different from our estimates and current provisions for sales returns and allowances may need to be increased.

ALLOWANCE FOR DOUBTFUL ACCOUNTS. We evaluate the collectibility of our accounts receivable based on a combination of factors. In circumstances where we are aware of a specific customer's inability to meet its financial obligations to us, we record a specific allowance against amounts due to reduce the net recognized receivable to the amount we reasonably believe will be collected. For all other customers, we recognize allowances for doubtful accounts based on the length of time the receivables are past due. Insured balances are not reserved. If the financial condition of one of our significant customers or our customers in general should deteriorate, our revenue growth may be limited and additional allowances may be required.

INVENTORY VALUATION. At each balance sheet date, we evaluate our inventory balance for excess quantities and obsolescence. This evaluation includes analyses of sales levels by product line and projections of future demand. In addition, we write off inventories that are considered obsolete. Remaining inventory balances are adjusted to the lower of cost or market value. If future demand or market conditions are less favorable than our projections, additional inventory write-downs may be required and would be reflected in cost of sales in the period the revision is made.

During 2002 we completed the outsourcing of the manufacture of our audio and video product platforms. Under this arrangement, we take ownership of inventories at the conclusion of the manufacturing process, such inventories representing finished goods or spare parts. As we largely manufacture to order, we do not tend to accumulate finished goods. We are, however, liable to purchase above a certain level, which is based on historical level of orders to the contract manufacturer, excess raw material and subassembly inventories from the contract manufacturer deemed obsolete or slow-moving. We monitor the levels of the contract manufacturer's relevant inventories periodically and, if required, will write-off such deemed excess or obsolete inventory.

IMPAIRMENT OF LONG-LIVED ASSETS. Our long-lived assets include property and equipment, long term investments, goodwill and other intangible assets. The fair value of the long-term investments is dependent upon the performance of the companies in which we have invested. In assessing potential impairment of these investments, we consider this factor as well as the forecast financial performance of the investees and other pertinent information. We record an investment impairment charge when we believe that the investment has experienced a decline in value that is other than temporary. During 2002, we recognized $229 thousand of impairment losses related to our long-term investments. As of December 31, 2002, the carrying value of the Company's long-term investments was $1.2 million.

In assessing the recoverability of our property and equipment, goodwill and other intangible assets, we must make assumptions regarding the estimated future cash flows and other factors to determine the fair value of the respective assets. If these estimates or their related assumptions change in the future, we may be required to record impairment charges for these assets.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

In July 2001, the Financial Accounting Standards Board issued SFAS No. 142 "Goodwill and Other Intangible Assets". SFAS No. 142 addresses the initial recognition and measurement of intangible assets acquired in a business combination and the accounting for goodwill and other intangible assets subsequent to their acquisition. SFAS No. 142 provides that intangible assets with finite useful lives will be amortized and that goodwill and intangible assets with indefinite lives will not be amortized, but rather will be tested at least annually for impairment. We adopted SFAS No. 142 beginning January 1, 2002. Upon adoption of SFAS No. 142, we discontinued the amortization of recorded goodwill, which was approximately $3.4 million on an annual basis at that time. We performed an impairment test of our goodwill as of January 1, 2002 under the transitional provisions of SFAS No. 142; our test did not indicate an impairment of goodwill. We confirmed that we have only one reporting unit (the Company) to which we allocated all recorded goodwill, as well as all assets and liabilities.

By October 1, 2002, our stock price had declined significantly from January 1, 2002, at which point our market capitalization, based on our stock price, was below book value. The price of our ADSs on January 2, 2002 was $17.04 per ADS and declined to $8.47 per ADS on October 1, 2002. We determined the fair value of the Company based on relative market multiples for comparable businesses and a discounted cash flow model. This evaluation indicated that an impairment might exist. We then performed Step 2 under SFAS No. 142 in which the amount of the impairment loss, if any, must be measured. Four categories of intangible assets were identified as being separable from goodwill in accordance with SFAS No. 141. These included: trade names; an in-place distribution network; technology based intangible assets and maintenance contracts. In valuing the NICE trade name a relief from royalty method was used. Under this method, the value of a trade name reflects the savings realized by owning the trade name. The value of the intangible asset under the relief from royalty method is dependent upon the following factors: the selected royalty rate, the revenues expected to be generated from the underlying intellectual property, the discount rate and the expected life of the intellectual property. The value of our distribution network was determined through the use of the cost approach. Using this method, the value of the distribution network is estimated as the after-tax direct costs that a potential acquirer would avoid spending in recreating a similar functional distribution network. The value of the intangible asset under the cost method is dependent upon the estimated direct cost of establishing a new distributor relationship. Qualifying technology-based intangible assets consist of current and core technology and technologies that were under development at the valuation date. The current and core technology was valued using a derivation of the income approach, namely the excess earnings method. This method is used to analyze the earnings contribution of an intangible asset. Under this method, the excess earnings that an intangible asset generates are calculated over the intangible asset's expected life and discounted to the present to calculate the fair value of the intangible asset. Excess earnings are defined as the residual earnings after providing for appropriate returns on the other identified contributing assets. The value under the excess earnings method is dependent upon the following factors: the expected revenues generated by the intangible asset, the expected after-tax earnings on those revenues, the charges (or returns) required on other contributing assets and the discount rate. Our maintenance contracts, which are intangible assets under the contractual-legal criterion of SFAS No. 141, were valued using the excess earnings method. In determining the applicable discount rate to be used to estimate the fair value of our net assets, we calculated a market-derived rate based on the estimated weighted average cost of capital for the Company. In determining the cost of equity for the Company, we used a standard methodology based on the capital asset pricing model and analyzed selected guideline companies, industry data and factors specific to NICE. We expect to use a similar decision process in the future

Following these analyses, we compared the carrying amount of goodwill to the implied fair value of the goodwill and determined that an impairment loss existed. A non-cash charge totaling $28.3 million was recorded in the fourth quarter of 2002 to write down goodwill to its fair value under the caption "Goodwill impairment". This impairment is primarily attributable to the change in evaluation criteria for goodwill from an undiscounted cash flow approach, which was previously used under the guidance in Accounting Principles Board Opinion No. 17 INTANGIBLE ASSETS, to the fair value approach stipulated in SFAS No.142. The valuation of long-lived assets requires significant estimates and assumptions. These estimates contain management's best estimates, using appropriate and customary assumptions and projections at the time. If different estimates or projections were used, it is reasonably possible that our analysis would have generated materially different results.

DEFERRED INCOME TAXES. We record income taxes using the asset and liability approach. Deferred income tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases, and net operating loss and tax credit carryforwards. Our financial statements contain fully reserved tax assets which have arisen as a result of net operating losses, primarily incurred in 2001 and 2002, as well as other temporary differences between book and tax accounting. Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. We have considered future taxable income, prudent and feasible tax planning strategies and other available evidence in determining the need for a valuation allowance. We evaluate all of these factors to determine whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. As a result of significant net operating losses incurred in 2001 and 2002, anticipated additional net operating losses for the first quarter of 2003 and uncertainty as to the extent and timing of profitability in future periods, we have continued to record a full valuation allowance, which was approximately $14.8 million as of December 31, 2002. The establishment and amount of the valuation allowance requires significant estimates and judgment and can materially affect our results of operations. If the realization of deferred tax assets in the future is considered more likely than not, an adjustment to the deferred tax assets would increase net income in the period such determination was made.

Our effective tax rate may vary from period to period based on changes in estimated taxable income or loss, changes to the valuation allowance, changes to state or foreign tax laws, future expansion into geographic areas with varying country, state and local income tax rates, deductibility of certain costs and expenses by jurisdiction and as a result of acquisitions, divestitures and reorganizations.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

CONTINGENCIES. From time to time, we are defendant or plaintiff in various legal actions, which arise in the normal course of business. We are also a defendant in an intellectual property infringement action. We are required to assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. A determination of the amount of reserves required for these contingencies, if any, which would be charged to earnings, is made after careful and considered analysis of each individual action together with our legal advisors. The required reserves may change in the future due to new developments in each matter or changes in circumstances, such as a change in settlement strategy. A change in the required reserves would affect our earnings in the period the change is made.

RESTRUCTURING. We established exit plans for each of the restructuring activities which took place in 2001 and 2002. In early 2001, with mounting evidence of an economic slowdown in the information technology and telecommunications sectors as well as changing business dynamics, we conducted a comprehensive review of our strategy, products, organization and infrastructure. This review culminated in the restructuring of our global operations, including the reduction of approximately 340 of our 1,110 employees, consolidation of our field facilities in North America, expansion of our local presence in Europe and Asia, and various other actions aimed at focusing on our core markets, products and competencies. We accounted for the 2001 plan in accordance with EITF Issue No. 94-3 "Liability Recognition for Certain Employee Benefits and Other Costs to Exit an Activity (including Certain Costs incurred in a Restructuring)". Under EITF 94-3, an entity recognized a liability for an exit cost on the date that the entity committed itself to the exit plan. The exit cost included involuntary employee termination benefits, estimates regarding our ability to sub-lease vacated facilities, rates to be charged to a sub-tenant and the timing of the sub-lease arrangement and included an estimate of the timing of the pace and completion of the outsourcing of manufacturing to Flextronics, the contract manufacturer. During the fourth quarter of 2002, we reduced the restructuring accrual by $400 thousand to reflect mainly lower than estimated employee termination costs. Our remaining cash lease commitments net of sub-lease income related to restructured facilities are approximately $124 thousand, which is fully accrued in the accompanying balance sheet.

In July 2002, the Financial Accounting Standards Board issued SFAS No. 146 "Accounting for Costs Associated with Exit or Disposal Activities", SFAS No. 146 requires that a liability for a cost that is associated with an exit activity be recognized only when the liability is incurred. It supersedes the guidance in EITF 94-3. In SFAS No. 146, an entity's commitment to a plan does not, by itself, create a present obligation to other parties that meets the definition of a liability and establishes that fair value is the objective for the initial measurement of the liability. Although SFAS No. 146 became effective for exit or disposal activities initiated after December 31, 2002, we elected to adopt the new ruling in respect of our fourth quarter 2002 restructuring plan. With the acquisition of TCS, we identified an opportunity to increase flexibility and focus, improve responsiveness and reduce unnecessary overhead. We adopted a plan to achieve these objectives in December 2002 which involves the phased reduction of approximately 140 of our initially combined 1,077 staff and consolidation of certain offices. Some of the involuntary reductions were effected in December and the liability related to those terminations of $282 thousand was included in our fourth quarter 2002 results. The remaining reductions in force are planned to be implemented over the first three quarters of 2003.

In the event that we redefine our strategic direction and/or difficult economic conditions continue to prevail, we may be required to implement further restructuring measures. We are not currently able to determine whether or to what extent such circumstances may continue or worsen.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

RESULTS OF OPERATIONS

The following table sets forth selected consolidated income statement data for NICE for each of the three years ended December 31, 2000, 2001, and 2002 expressed as a percentage of total revenues. Figures may not add due to rounding.

	2000	2001	2002
Revenues			
Products	n/a %	88.6 %	82.9 %
Services	n/a	11.4	17.1
	100.0	100.0	100.0
Cost of revenues			
Products	n/a	48.2 *	43.5 *
Services	n/a	134.4 *	94.0 *
	48.0	58.0	52.2
Gross profit	52.0	42.0	47.8
Operating expenses			
Research and development, net	12.7	15.1	11.0
Selling and marketing	23.1	27.6	24.9
General and administrative	18.5	21.4	14.6
Restructuring and other	0.0	11.5	-0.3
In-process research and development	4.4	0.0	0.8
Amortization of acquired intangibles	0.6	2.7	0.0
Goodwill impairment	0.0	0.0	17.4
Total operating expenses	59.3	78.3	68.4
Operating loss	-7.3	-36.3	-20.6
Financial income, net	4.0	3.3	2.4
Other income (expenses), net	0.0	-3.8	-2.5
Loss before taxes on income	-3.3	-36.8	-20.7
Taxes on income	0.2	0.2	0.2
Net loss	-3.5 %	-37.0 %	-20.9 %

*Percent of related revenue.

YEARS ENDED DECEMBER 31, 2002 AND 2001

REVENUES. Our total revenues rose 28% to $162.5 million in 2002 from $127.1 million in 2001.

Product revenues rose $22.1 million or 20% to $134.8 million in 2002 from $112.6 million in the prior year due mainly to a net $19.9 million (23%) increase in sales of our audio platform and related applications mainly to contact center and trading floor markets and an $8.3 million (60%) increase in digital video platform sales. These increases were partially offset by a $6.1 million (46%) decrease in sales of our COMINT/DF products. We believe that our growth in product sales to contact center and financial trading floor markets principally reflects market share gains but also the inclusion of $6.8 million of revenues following the acquisition of TCS in November 2002. There can be no assurance that we will continue to experience market share gains or that, given the continuing weakened global economy, we will continue to report growth in audio platform and related software application sales. We believe that the high-end digital video market is still in its nascency and thus volatile; consequently, looking forward, we do not expect to experience the same degree of growth in revenues as we did in 2002.

Services revenues rose $13.2 million (92%) to $27.7 million in 2002 from $14.5 million in the previous year. The increase reflects an increasing portion of our installed base engaging us for maintenance services, higher installation and training revenues related to the increase in contact center and financial trading floor sales and $1.5 million in services revenue following the acquisition of TCS. Service revenues accounted for 17% of total revenues up from 11% in 2001. Although we generate lower profit margins on services than on products, our strategy is to continue to grow our global services business, which we believe increases the competitiveness of our product offerings, and thus expect services to represent a growing portion of total revenues in the future.

Revenues in 2002 in the Americas, which includes the United States, Canada, Latin and South America, rose 33% to $88.4 million from $66.3 million in 2001. The increase is largely attributable to higher sales of products and services to contact center and financial trading floor markets. Sales to Europe, Middle East and Africa ("EMEA") rose 29% to $51.2 million in 2002 from $39.8 million in 2001. The increase is due mainly to the acquisition of TCS in November 2002 ($6.6 million) and the more than doubling of digital video sales in this region. Sales to Asia-Pacific ("APAC") increased 9% to $22.8 million in 2002 from $21.0 million in 2001.

COST OF REVENUES. Cost of revenues was $84.7 million in 2002 compared with $73.8 million in 2001.

Cost of product revenues rose 8% to $58.7 million in 2002 from $54.3 million in 2001. The increase in cost in 2002 is due to the higher sales volume. Cost of services revenue rose 34% to $26.1 million from $19.4 million in 2001. The increase in cost is due principally to higher labor, travel and material costs associated with the growth in product installations and maintenance contracts and $1.4 million of service costs incurred following the acquisition of TCS.

GROSS PROFIT. Gross profit on product revenues represented 56.5% of product revenues in 2002 compared with 51.8% in 2001 due mainly to a higher proportion of sales of our comparatively higher margin audio platform and applications in the sales mix and product manufacturing cost efficiencies achieved through both the outsourcing of manufacturing to the contract manufacturer over the course of the year and engineering design modifications mainly to our digital video recording platform. Gross profit margin on services revenue was 6% in 2002 compared with a loss of 34% in 2001 due primarily to the higher growth rate in services revenues as compared with service expenses. For the reasons mentioned above, gross profit was $77.8 million or 47.8% of total revenues in 2002 compared with $53.3 million or 42.0% of revenues in 2001. On a forward-looking basis, we expect our gross margins to increase gradually as we realize the benefit of contract manufacturing efficiencies, of leveraging our global service operations and of a growing proportion of software applications in our product revenue mix.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

RESEARCH AND DEVELOPMENT, NET. Research and development expense, before capitalization of software development costs and grants, declined to $24.7 million in 2002 from $26.0 million in 2001 and represented 15.2% and 20.5% of revenues in 2002 and 2001, respectively. The decrease in gross outlays is due mainly to the impact of the approximate 7% annual devaluation of the New Israel Shekel to the US dollar on R&D labor costs, as approximately 75% of our R&D staff is based in Israel, and a lower average number of R&D staff in 2002 versus 2001.

Software development costs capitalized were $4.6 million in 2002 compared with $5.4 million in 2001. Net research and development expense decreased 7% in 2002 to $17.9 million from $19.2 million in 2001. Amortization of capitalized software development costs, included in cost of product revenues, was $4.3 million and $2.8 million in 2002 and 2001, respectively.

SELLING AND MARKETING EXPENSES. Selling and marketing expenses in 2002 increased 16% to $40.5 million from $35.0 million in 2001. The increase in selling and marketing expenses was due principally to higher labor costs mainly from the acquisition of TCS, higher commission expenses and higher discretionary marketing outlays for trade shows and promotional activities. Selling and marketing expenses represented 24.9% of total revenues in 2002 compared with 27.6% in 2001. We expect that we will continue to leverage our global sales and distribution infrastructure in the future such that selling and marketing expenses, while increasing on an absolute dollar basis, will decline moderately as a percentage of total revenues.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses decreased 12% in 2002 to $23.8 million from $27.1 million in 2001. The reduction in cost in 2002 was due primarily to lower legal costs and general cost containment efforts only partly offset by higher corporate insurance premiums and allowances for doubtful accounts. The increase in the allowance for doubtful accounts in 2002 compared with 2001 is mainly due to specific accounts deemed uncollectible and an increase in the aging of receivables reflecting weak general economic conditions worldwide. On a forward-looking basis, general and administrative expenses are expected to increase in absolute terms due mainly to the inclusion for a full year of the operations of TCS and higher corporate insurance premiums.

RESTRUCTURING. In connection with the restructuring plan implemented in December 2002, we recorded restructuring and other related charges of $282 thousand in accordance with SFAS No. 146. All of the staff whose termination costs were included in our fourth quarter 2002 financial statements were located in North America. The plan also included vacating a portion of our Southampton facility and the closing of our Herndon, Virginia and Bergisch Gladbach, Germany offices.

In the quarter ending December 31, 2002, we reduced the remaining 2001 restructuring plan accrual by $400 thousand. The 2001 restructuring plan charge of $14.6 million included severance and outplacement costs of $9.6 million, consolidation of facility costs of $1.9 million, related property write-downs of $1.9 million and impairment of intangible assets and other of $1.1 million. The 2001 restructuring plan was substantially completed by December 31, 2001 with the principal exception of employee terminations related to the completion of the outsourcing of manufacturing of our products. The remaining amounts net of sub-lease income relating to the consolidation of facilities in Sunnyvale and Las Vegas of $124 thousand will be paid over the respective lease terms mainly through 2005.

IN-PROCESS RESEARCH AND DEVELOPMENT. In connection with the acquisition of TCS and in accordance with SFAS No. 2 "Accounting for Research and Development Costs", a portion of the purchase price, $1.3 million, was allocated to purchased in-process research and development. As part of the process of analyzing this acquisition, we made a decision to buy three technologies that had not yet been commercialized rather than develop those technologies internally. In doing so, we considered our internal research resource allocation and our progress on comparable technology, if any. At the date of the acquisition, technological feasibility had not yet been established for the in-process research and development projects and they had no alternative future use. Accordingly, the fair value allocated to these technologies, which was based on an analysis of the discounted excess earnings that the intangible assets generate over their expected lives, was immediately expensed at acquisition.

AMORTIZATION OF ACQUIRED INTANGIBLES. Amortization expense was $3.4 million in 2001. With the adoption of SFAS No. 142 as of January 1, 2002, we ceased to amortize acquired intangibles of indefinite lives, primarily goodwill.

GOODWILL IMPAIRMENT. During the fourth quarter of 2002 we performed our annual impairment test of acquired intangible assets as prescribed by SFAS No. 142. Our stock price had declined significantly from January 1, 2002, at which point our market capitalization, based on our stock price, was below book value. We determined the fair value of the Company based on relative market multiples for comparable businesses and a discounted cash flow model. This evaluation indicated that an impairment loss might exist. We then performed Step 2 under SFAS No. 142 and compared the carrying amount of goodwill to the implied fair value of the goodwill and determined that an impairment loss existed.

A non-cash charge totaling $28.3 million was recorded in the fourth quarter of 2002 to write down the goodwill recorded primarily in the acquisitions of SCI, CPS and STS to its fair value. We will perform an impairment test at least annually and on an interim basis should circumstances indicate that an impairment loss may exist. The outcome of such testing may lead to the recognition of an impairment loss. As of December 31, 2002, we had $33.7 million of non-amortizable goodwill and other intangible assets.

FINANCIAL INCOME, NET. Financial income, net decreased 6% to $4.0 million in 2002 from $4.3 million in 2001. The decrease in 2002 reflects lower prevailing average market interest rates in 2002 compared with 2001 only partly offset by exchange gains.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

OTHER INCOME (EXPENSE), NET. Other expense, net was $4.1 million in 2002 compared with $4.8 million in 2001. In 2002, we recorded $3.5 million in respect of the settlement of claims by Douglas Chapiewski, the sole shareholder of CPS; $335 thousand representing the cost of moving our North American headquarters to a different facility, and $229 thousand to write-off of our long-term investment in Espro Ltd. In 2001, we recorded a $4.4 million charge following the settlement of a dispute with SCI relating to certain post-closing adjustments in connection with the acquisition of certain assets and liabilities by NICE.

TAXES ON INCOME. In 2002, we recorded a provision for income taxes of $350 thousand compared with $198 thousand in 2001. The increase is primarily related to operating profits recorded at certain distribution subsidiaries where net operating loss carryforwards are not available to offset operating profits and changes in US state tax laws.

NET LOSS. Net loss was $34.0 million in 2002 compared with a net loss of $46.8 million in 2001. The decrease in 2002 resulted primarily from the increase in revenues and gross margin.

YEARS ENDED DECEMBER 31, 2001, AND 2000

REVENUES. Our revenues decreased to $127.1 million in 2001 from $153.2 million in 2000. The 17% decrease in revenues in 2001 was due primarily to the overall slowdown in technology spending combined with the impact, particularly in North America, of internal operational changes implemented in early 2001. Sales in North America declined 26% in 2001 (after increasing 40% in 2000). Sales in Europe (including Israel) decreased 14% and sales in the rest of the world rose 2% in 2001. On a product line basis, sales of our audio recording platform and related applications for contact centers and financial trading floors decreased 22% to $99.8 million in 2001 and represented 79% of total revenues; sales of digital video products declined 11% to $14.1 million and represented 11% of total revenues, and revenues from sales of COMINT systems increased 52% to $13.2 million and accounted for 10% of total revenues.

COST OF REVENUES. Cost of revenues was $73.8 million in 2001 compared with $73.6 million in 2000. During 2000, we more than doubled the number of customer support staff who provide installation and technical support to our customers from about 100 at the start of the year to approximately 210 at the end of December 2000. Of the total, 37 support employees joined us as part of the December 2000 acquisition of the direct sales and customer support channel and service and maintenance agreements of our then largest distributor in North America, Stevens Communications, Inc. As a result, the increase in cost of revenues in 2001 was due primarily to the impact on an annual basis of the significant increase in the number of customer support employees and related costs without a commensurate increase in customer support revenue, which resulted in a substantial negative gross profit on customer support. This increase in customer support cost was only partly offset by lower sales volume and manufacturing labor costs.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

GROSS PROFIT. For the reasons mentioned above, gross profit was $53.3 million in 2001 compared with $79.6 million in 2000. Gross profit margin was 42.0% and 52.0% in 2001 and 2000, respectively.

RESEARCH AND DEVELOPMENT, NET. Research and development expense, before capitalization of software development costs and grants, rose to $26.0 million in 2001 from $25.4 million in 2000 and represented 20.5% and 16.6% of revenues in 2001 and 2000, respectively. The level of spending reflects our efforts to continue to improve our long-term competitive position. In 2000, we increased the number of R&D staff by 24% in order to support the development of new or enhanced products for each of our product lines. In 2001, these efforts included major functionality improvements to our voice recording platforms and quality monitoring and contact center performance applications as well as the market introduction of the NICEVISION PRO high-end video recording platform and the NICETRACK telecommunications monitoring solution. The increase in gross research and development expense in 2001 resulted from the overall average higher level of R&D staff.

Software development costs capitalized were $5.4 million in 2001 compared with $4.7 million in 2000. Net research and development expense decreased 2% in 2001 to $19.2 million from $19.5 million in 2000. Amortization of capitalized software development costs, included in cost of revenues, was $2.8 million and $1.6 million in 2001 and 2000, respectively.

SELLING AND MARKETING EXPENSES. Selling and marketing expenses in 2001 were $35.0 million compared with $35.4 million in 2000. The decrease in selling and marketing expenses was due principally to reductions in staff, lower revenue-related expenses and lower discretionary marketing outlays only partly offset by expansion of our sales and marketing infrastructure in Europe and Asia.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses were $27.1 million in 2001 and $28.3 million in 2000. The decrease in 2001 was due primarily to the reduction in administrative staff and cost containment efforts.

RESTRUCTURING AND OTHER SPECIAL CHARGES.

RESTRUCTURING. As a result of the decline in general economic and business conditions in late 2000 and the changing competitive environment, we implemented a restructuring program in 2001 to better align our cost structure with the current business environment and to focus our resources on the highest potential growth areas of our business. As a result, we incurred a $14.6 million charge for restructuring costs in the first quarter of 2001.

Our restructuring program included a 30% reduction in force across all business functions. Approximately 60% of such employees were based in Israel and the remainder were based in primarily in North America. The workforce reduction resulted in a charge of $9.6 million for termination benefits. We also consolidated our North American operations into two main facilities and eliminated excess field office space. The restructuring program included a charge of $1.9 million for lease terminations and estimated losses on subleases and $1.9 million for nonrecoverable investments in leasehold improvements and facility equipment. The restructuring program included exiting a product line acquired as part of the Dees transaction. As a result, a charge of $1.1 million, relating to the impairment of the associated goodwill was taken.

The restructuring program was substantially completed by December 31, 2001 with the principal exception of employee terminations related to the completion of the outsourcing of manufacturing of our products. The cash impact of the total charge was $11.0 million, of which $9.0 million was paid in 2001 and the remainder was substantially paid by mid-2002. Amounts relating to the consolidation of facilities will be paid over the respective lease terms mainly through 2003.

OTHER SPECIAL CHARGES. In 2000, the Company recorded a charge of $6.8 million related to in-process research and development of software acquired in the CenterPoint Solutions, Inc. transaction for which technological feasibility had not yet been established and for which no alternative future use existed.

AMORTIZATION OF ACQUIRED INTANGIBLES. Amortization expense was $3.4 million and $0.9 million in 2001 and 2000, respectively. The increase in 2001 is due mainly to the acquisition of certain assets of SCI.

FINANCIAL INCOME, NET. Financial income, net decreased 31% to $4.3 million in 2001 from $6.2 million in 2000. The decrease in 2001 reflects lower average cash balances and lower average interest rates in 2001 compared with 2000.

OTHER INCOME (EXPENSE), NET. Other expense, net was $4.8 million in 2001 compared with other income, net of $53 thousand in 2000. In 2001, we recorded a $4.4 million charge following the settlement of a dispute with SCI relating to certain post-closing adjustments in connection with the acquisition of certain assets and liabilities by NICE.

NET LOSS. Net loss was $46.8 million in 2001 compared with $5.3 million in 2000. The decrease in 2001 resulted primarily from the factors described above.

LIQUIDITY AND CAPITAL RESOURCES

We have historically financed our operations through cash generated from operations and sales of equity securities. We invest our excess cash in instruments that are highly liquid, investment grade securities. At December 31, 2002, we had approximately $ 68.6 million of cash and cash equivalents and short and long-term investments compared with $89.0 million at December 31, 2001 and $98.0 million at December 31, 2000. The decrease in 2002 is due to the payment of $29.9 million in the acquisition of TCS partly offset by net operating cash flow.

For 2002, cash provided by operations was $20.1 million compared with $2.3 million in 2001. The improvement in 2002 compared with 2001 was primarily attributable to the narrowed net loss and continued improvement in working capital. We place particular focus on managing our working capital, particularly the level of accounts receivable days sales outstanding and inventories. Days sales outstanding (DSO) in accounts receivable for 2002, excluding the effect of the acquisition of TCS, was 94 days compared with 99 days at the end of 2001. The improvement is primarily attributable to the implementation of process improvements and our credit policy. Including the impact of the acquisition of the assets of TCS, our DSO was 118 days. We expect to see our DSO return to levels below 100 days during the first half of 2003. In connection with the TCS acquisition, we recorded a current liability of $2.8 million and a long-term liability of $13.5 million reflecting obligations under a long-term contract assumed by NICE. We have entered into negotiations to amend this contract but there can be no assurance that we will be successful in these negotiations.

For 2001, cash provided by operations was $2.3 million, compared with cash used in operations of $2.1 million in 2000 The improvement in 2001 compared with 2000 was primarily attributable to an overall improvement in working capital associated with substantial reductions in accounts receivable and inventories largely offset by the $46.8 million loss incurred in the year. Days sales outstanding (DSO) in accounts receivable was 99 days at the end of 2001 compared with 113 days at December 31, 2000.

Net cash used in investing activities was $28.3 million compared with net cash provided by investing activities of $2.5 million in 2001. The decrease in 2002 is due to the acquisition of TCS. Capital expenditures were $5.4 million in 2002 and $7.6 million in 2001. Capital expenditures in 2002 included investment in additional modules for our global ERP system including the implementation of the order management and financial system modules at TCS' Southampton facility following the acquisition and equipment for research and development and demonstration purposes. As of December 31, 2002, we have no material commitment for capital expenditures.

Net cash provided by investing activities was $2.5 million in 2001 and net cash used in investing activities was $18.1 million in 2000. The increase in 2001 reflects lower capital expenditures and lower outlays for acquisitions. Capital expenditures were $7.6 million and $14.2 million in 2001 and 2000, respectively. 2001 capital expenditures related primarily to investment in a global ERP system and equipment for research and development purposes.

Net cash provided by financing activities (mainly net proceeds from the issuance of shares upon the exercise of stock options) was $2.1 million, $1.9 million and $15.0 million in 2002, 2001 and 2000, respectively, primarily as a result of stock options exercised. We have available for use short-term revolving lines of credit at a number of commercial banks totaling up to $25 million. As of December 2002, we also have available for use committed credit lines of $22 million secured by one of our commercial bond portfolios. There are no financial covenants associated with these credit lines. As of December 31, 2002, we had less than $0.1 million outstanding on our lines of credit. As of May 1, 2003, no amounts were drawn against our short-term lines of credit. The availability under the lines of credit has been reduced, however, by $2.2 million in outstanding guarantees and letters of credit. Additionally, we have one advance payment guarantee in the amount of $1.6 million which stipulates that the Company will have at least $20 million of cash and long term investments and shareholders' equity of $100 million.

We believe that based on our current operating forecast, the combination of existing working capital, expected cash flows from operations and available credit lines will be sufficient to finance our ongoing operations for the next twelve months. Depending upon our future growth, the success of our business initiatives and acquisition opportunities, we will consider from time to time various financing alternatives and may seek to raise additional capital to finance our strategic efforts through debt or equity financing, the sale of non-strategic assets or to enter into strategic arrangements.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

Set forth below are our contractual obligations and other commercial commitments over the medium term as of December 31, 2002($ in thousands):

	PAYMENTS DUE BY PERIOD				
CONTRACTUAL OBLIGATIONS	TOTAL	LESS THAN 1 YEAR	1- 3 YEARS	4-5 YEARS	AFTER 5 YEARS
Operating Leases	12,392	5,358	6,437	579	18
Unconditional Purchase Obligations	15,377	6,190	9,187	-	
Other Long-Term Obligations					
Total Contractual Cash Obligations	27,769	11,548	15,624	579	18

		AMOUNT OF COMMITMENT EXPIRATION PER PERIOD			
	TOTAL AMOUNTS COMMITTED	LESS THAN 1 YEAR	1- 3 YEARS	4-5 YEARS	OVER 5 YEARS
OTHER COMMERCIAL COMMITMENTS					
Lines of Credit					
Standby Letters of Credit					
Guarantees	3,778	800	2,488	490	
Standby Repurchase Obligations					
Other Commercial Commitments					
Total Commercial Commitments	3,778	800	2,488	490	

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

Market risks relating to our operations result primarily from weak economic conditions in the markets in which we sell our products and changes in interest rates and exchange rates. To manage the volatility related to the latter exposure, we may enter into various derivative transactions. Our objective is to reduce, where it is deemed appropriate to do so, fluctuations in earnings and cash flows associated with changes in currency exchange rates. It is our policy and practice to use derivative financial instruments only to manage exposures. We do not use financial instruments for trading purposes and are not a party to any leveraged derivative.

FOREIGN CURRENCY RISK. We conduct our business primarily in U.S. dollars but also in the currencies of the United Kingdom, Canada, the European Union and Israel. Thus, we are exposed to foreign exchange movements, primarily in UK, European and Israel currencies. We monitor foreign currency exposure and, from time to time, may enter into various contracts to preserve the value of sales transactions and commitments.

INTEREST RATE RISK. We invest in investment-grade U.S. corporate bonds and dollar deposits with FDIC-insured U.S. banks. Since these investments carry fixed interest rates and since our policy and practice is to hold these investments to maturity, interest income over the holding period is not sensitive to changes in interest rates. As of December 31, 2002, we had no other exposure to changes in interest rates and had no interest rate derivative financial instruments outstanding.

RECENTLY ISSUED OR ADOPTED ACCOUNTING PRONOUNCEMENTS

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", which addresses significant issues regarding the recognition, measurement, and reporting of costs associated with exit and disposal activities, including restructuring activities. SFAS No. 146 requires that costs associated with exit or disposal activities be recognized when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS No. 146 is effective for all exit or disposal activities initiated after December 31, 2002. The Company elected early adoption of SFAS No. 146.

FACTORS THAT MAY AFFECT FUTURE RESULTS

We operate globally in a dynamic and changing environment that involves numerous risks and uncertainties. The following section lists some, but not all, of those risks and uncertainties that could cause actual results and outcomes to differ materially from those contained in any forward-looking statement made by or on behalf of the Company.

THE OVERALL ECONOMIC ENVIRONMENT CONTINUES TO BE WEAK. We are subject to the effects of general global economic and market conditions. Our operating results have been materially adversely affected as a result of recent unfavorable economic conditions and reduced information technology spending, particularly in the product segments in which we compete. During 2002, there was an increase in demand for our type of products as customers allocated resources to enhance their recording and analysis capabilities for compliance and risk management and for security. However, customer purchase decisions may be significantly affected by a variety of factors including trends in spending for information technology, enterprise software, market competition, and the viability or announcement of alternative technologies. If economic conditions continue to be weak, demand for our products could decrease resulting in lower revenues, profits and cash flows.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

OUR BUSINESS STRATEGY CONTINUES TO EVOLVE. Historically we have supplied the hardware and some software for implementing multimedia recording solutions. Our shift to providing professional support services and now towards an enterprise software business model has required and will continue to require substantial change, potentially resulting in some disruption to our business. These changes may include changes in management and technical personnel; expanded or differing competition resulting from entering the enterprise software market; increased need to expand our distribution network to include system integrators which could impact revenues and gross margins, and, as our applications are sold either to our installed base or to new customers together with our recording platforms, the rate of adoption of our software applications by the market.

WE MAY EXPERIENCE DIFFICULTY MANAGING CHANGES IN OUR BUSINESS. The changes in our business may place a significant strain on our operational and financial resources. We may experience substantial disruption from changes and could incur significant expenses and write-offs. If we do not carefully manage expense and inventory levels consistent with product demand and do not carefully manage accounts receivable to limit credit risk, this could materially adversely affect our results of operations.

OUR SERVICE REVENUES ARE DEPENDENT ON OUR INSTALLED BASE OF CUSTOMERS. We derive a significant portion of our revenues from services, which include maintenance, project management, support and training. As a result, if we lose a major customer or if a support contract is delayed or cancelled, our revenues would be adversely affected. In addition, customers who have accounted for significant services revenues in the past may not generate revenues in future periods. Our failure to obtain new customers or additional orders from existing customers could also materially affect our results of operations.

RISKS ASSOCIATED WITH OUR DISTRIBUTION CHANNELS MAY MATERIALLY ADVERSELY AFFECT OUR FINANCIAL Results. We have agreements in place with many distributors, dealers and resellers to market and sell our products and services in addition to our direct sales force. We derive a significant percentage of our revenues from one or more of our distributor channels. Our financial results could be materially adversely affected if our contracts with channel partners were terminated, if our relationship with channel partners were to deteriorate or if the financial condition of our channel partners were to weaken. In addition, as our market opportunities change, we may have increased reliance on particular channel partners, which may negatively impact gross margins. There can be no assurance that we will be successful in maintaining or expanding these channels. If we are not successful, we may lose sales opportunities, customers and market share. In addition, there can be no assurance that our channel partners will not develop or market products or services in competition with us in the future.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

OUR UNEVEN SALES PATTERNS COULD SIGNIFICANTLY IMPACT OUR QUARTERLY REVENUES AND EARNINGS. The sales cycle for our solutions is variable, typically ranging between a few weeks to several months from initial contact with the potential client to the signing of a contract. Frequently, sales orders accumulate towards the latter part of a given quarter. Looking forward, given the lead-time required by our contract manufacturer, if a large portion of sales orders are received late in the quarter, we may not be able to deliver product within the quarter and thus such sales will be deferred to a future quarter. There can be no assurance that such deferrals will result in sales in the near term, or at all. Thus, delays in executing client orders may affect our revenue and cause our operating results to vary widely. Additionally, as a high percentage of our expenses, particularly employee compensation, is relatively fixed, a variation in the level of sales, especially at or near the end of any quarter, may have a material adverse impact on our quarterly operating results.

COMPETITIVE PRICING AND DIFFICULTY MANAGING PRODUCT COSTS COULD MATERIALLY ADVERSELY AFFECT OUR REVENUES AND EARNINGS. The market for our products and related services, in general, is highly competitive. Additionally, some of our principal competitors such as Witness Inc., Verint, Inc., and ASC may have significantly greater resources and larger customer bases than do we. We have seen evidence of deep price reductions by our competitors and expect to continue to see such behavior in the future, which, if we are required to match such discounting, will adversely affect our gross margins and results of operations. To date, we have been able to manage our product design and component costs. However, there can be no assurance that we will be able to continue to achieve reductions in component and product design costs. Further, the relative and varying rates of increases or decreases in product price and cost could have a material adverse impact on our earnings.

OUR GROSS MARGINS ARE HIGHLY DEPENDENT UPON OUR PRODUCT MIX. It is difficult to predict the exact mix of products for any period between hardware, software and services as well as within the product category between audio platforms and related applications, digital video and COMINT.

IF OUR SUPPLIERS ARE NOT ABLE TO MEET OUR REQUIREMENTS, WE COULD HAVE DECREASED REVENUES AND EARNINGS:

- We migrated the manufacturing of all of our key products to a contract manufacturer. The TCS product line is also manufactured by a third party. We may experience delivery delays due the inability of the outsourcers to consistently meet our quality or delivery requirements. If these suppliers or any other supplier were to cancel contracts or commitments with us or fail to meet the quality or delivery requirements needed to satisfy customer orders for our products, we could lose time-sensitive customer orders and have significantly decreased quarterly revenues and earnings, which would have a material adverse effect on our business, results of operations and financial condition.

- Should we have on-going performance issues with our contract manufacturers, the process to move from one contractor to another is a lengthy and costly process that could affect our ability to execute customer shipment requirements and /or might negatively affect revenue and/or costs.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

We depend on certain critical components in the production of our products and parts. Some of these components are obtained only from a single supplier and only in limited quantities. In addition, some of our major suppliers use proprietary technology and software code that could require significant redesign of our products in the case of a change in vendor. Further, if suppliers discontinue their products, or modify them in manners incompatible with our current use, or use manufacturing processes and tools that could not be easily migrated to other vendors, we could have significant delays in product availability, which would have a significant adverse impact on our results of operations and financial condition.

UNDETECTED PROBLEMS IN OUR PRODUCTS COULD DIRECTLY IMPAIR OUR FINANCIAL RESULTS. If flaws in design, production, assembly or testing of our products (by us or our suppliers) were to occur, we could experience a rate of failure in our products that would result in substantial repair, replacement or service costs and potential liability and damage to our reputation. There can be no assurance that our efforts to monitor, develop, modify and implement appropriate test and manufactruing processes for our products will be sufficicent to permit us to avoid a rate of failure in our products that results in substantial delays in shipment, significant repair or replacement costs or potential damage to our reputation, any of which could have a material adverse effect on our business, results of operations and financial condition.

OUR GROWTH IS DEPENDENT UPON RECRUITING AND RETAINING KEY PERSONNEL. If our growth continues, we will be required to hire and integrate new employees. There can be no assurance that we will be able to successfully recruit and integrate new employees. Competition for highly skilled employees, including sales, technical and management personnel, may again become high in the technology industry. We may experience personnel changes as a result of our move from multimedia recording equipment towards business performance solutions. Our failure to attract talented employees or retain the services of key personnel, could have a material adverse effect on our results of operations and financial position.

WE MAY EXPERIENCE DIFFICULTY MANAGING OPERATIONAL EXPANSION. We have recently established a sales infrastructure in Hong Kong by relocating a portion of our Israel-based sales operations and by recruiting new managers and sales persons in order to bring about a growth in revenue in the Asia Pacific market. We may establish additional operations within the region where growth opportunities are projected to warrant the investment. However, we cannot assure you that our revenues will increase as a result of this expansion or that we will be able to recover the expenses we incurred in effecting the expansion. Our failure to effectively manage our expansion of our sales, marketing, service and support organizations could have a negative impact on our business. To accommodate our global expansion, we are continuously implementing new or expanded business systems, procedures and controls. There can be no assurance that the implementation of such systems, procedures, controls and other internal systems can be completed successfully.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

CHANGES IN FOREIGN CONDITIONS COULD MATERIALLY ADVERSELY AFFECT OUR FINANCIAL RESULTS. Approximately half of our revenues are derived from sales outside the United States. Accordingly, our future results could be materially adversely affected by a variety of factors including changes in exchange rates, general economic conditions, regulatory requirements, tax structures or changes in tax laws, and longer payment cycles in the countries in our geographic areas of operations.

OUR BUSINESS COULD BE MATERIALLY ADVERSELY AFFECTED AS A RESULT OF THE RISKS ASSOCIATED WITH ACQUISITIONS AND INVESTMENTS. As part of our growth strategy, we have made a number of acquisitions and have made minority investments in complementary businesses, products or technologies. We frequently evaluate the tactical or strategic opportunity available related to complementary businesses, products or technologies. The process of integrating an acquired company's business into our operations and/or of investing in new technologies, may result in unforeseen operating difficulties and large expenditures and may absorb significant management attention that would otherwise be available for the ongoing development of our business. Other risks commonly encountered with acquisitions include the effect of the acquisition on our financial and strategic position and reputation; the failure of the acquired business to further our strategies, the inability to successfully integrate or commercialize acquired technologies or otherwise realize anticipated synergies or economies of scale on a timely basis and the potential impairment of acquired assets. Moreover, there can be no assurance that the anticipated benefits of any acquisition or investment will be realized. Future acquisitions or investments contemplated and/or consummated could result in potentially dilutive issuances of equity securities, the incurrence of debt and contingent liabilities, amortization expenses related to intangible assets, any of which could have a material adverse effect on our operating results and financial condition. We have also invested in companies, which can still be considered in the start-up or development stages. These investments are inherently risky as the market for the technologies or products they have under development are typically in the early stages and may never materialize. We could lose our entire initial investment in these companies.

WE MAY BE UNABLE TO KEEP PACE WITH RAPID INDUSTRY, TECHNOLOGICAL AND MARKET CHANGES. The market for our products and services is subject to rapid technological change and new product introductions. Current competitors and/or new market entrants may develop new, proprietary products with features that could adversely affect the competitive position of our products. We may not successfully anticipate market demand for new products or services, or introduce them in a timely manner. The convergence of voice and data networks, wired and wireless communications could require substantial modification and customization of our current products and business models, as well as the introduction of new products. Further, customer acceptance of these new technologies may be slower than we anticipate. We may not be able to compete effectively in these markets. In addition, our products must readily integrate with major third party security, telephone, front-office and back-office systems. Any changes to these third party systems could require us to redesign our products, and any such redesign might not be possible on a timely basis or achieve market acceptance. Additional factors that may cause actual results to differ materially from our expectations include industry specific factors; our ability to continuously develop, introduce and deliver commercially viable products, solutions and technologies, and the market's rate of acceptance of the solutions we offer and our ability to keep pace with market and technology changes and to compete successfully.

WE FACE POTENTIAL PRODUCT LIABILITY CLAIMS AGAINST US. We may be subject to claims that our products are defective or that some function or malfunction of our products caused or contributed to property, bodily or consequential damages. We minimize this risk by incorporating provisions into our distribution and standard sales agreements that are designed to limit our exposure to potential claims of liability. We carry product liability insurance in the amount of $10,000,000 per occurrence and $10,000,000 overall. No assurance can be given that all claims will be covered either by the contractual provisions limiting liability or by the insurance, or that the amount of any individual claim or all claims will be covered by the insurance or that the amount of any individual claim or all claims in the aggregate will not exceed policy coverage limits.

OUR BUSINESS MAY SUFFER IF WE CANNOT PROTECT OUR INTELLECTUAL PROPERTY. Our success is dependent, to a certain extent, upon our proprietary technology. We currently rely on a combination of patent, trade secret, copyright and trademark law, together with non-disclosure and non-compete agreements, to establish and protect the technology used in our systems. However, we cannot assure you that such measures will protect our proprietary technology that competitors will not develop products with features based upon, or otherwise similar to, our systems or that we will prevail in any proceeding instituted by us in order to enjoin competitors from selling similar products.

WE ARE INVOLVED IN LITIGATION AND MAY BECOME INVOLVED IN LITIGATION THAT MAY MATERIALLY ADVERSELY AFFECT US. In our industry, there has been extensive litigation regarding patents and other intellectual property rights. Although we believe that our products do not infringe upon the proprietary rights of third parties, we cannot assure you that one or more third parties will not make a contrary claim or that we will be successful in defending such claim. In June 2000, Dictaphone Corporation, one of our competitors, filed a patent infringement claim relating to certain technology embedded in some of our products. The claim is for damages for past infringement and enjoinment of any continued infringement of Dictaphone patents. In the court's discretion, the damages may be trebled and attorney fees awarded. As a result we might be forced to pay significant damages and licensing fees, modify our business practices or even be enjoined from conducting a significant part of our U.S. business. Any such results could materially harm our business. We believe, however, that we have a valid defense to this claim and are vigorously defending it. We have received notification from our insurance company indicating that the claim is not covered by our insurance policy; however, our insurance company has agreed to reimburse for us all legal expenses that we are expending in defense of the claim while reserving its final decision on this matter until the final outcome of the litigation. The discovery period is closed, dispositive motions have been filed with the Court, and we are awaiting the Court's decisions on these motions as well as scheduling for trial.

In April 2002, we received a letter from Dictaphone stating that several of our products were using technology protected by additional Dictaphone patents and offering us a licensing arrangement for these patents. We believe that none of our products infringe upon those patents. We cannot assure you, however, that we will be successful in defending the Dictaphone infringement claim or other claims, or that infringement claims or other claims, if asserted, will not have a material adverse effect on our business, financial condition or results of operations. Any claims, with or without merit, could be costly and time-consuming to defend, divert our management's attention, cause product delays and have an adverse effect on our revenues and operating results. If any of our products were found to infringe a third party's proprietary rights, we could be required to enter into royalty or licensing agreements to be able to sell our products, which may not be available on terms acceptable to us or at all.

CHANGES IN ISRAELI GOVERNMENT BENEFIT PROGRAMS COULD MATERIALLY ADVERSELY AFFECT US. We derive and expect to continue to derive significant benefits from various programs and laws in Israel including tax benefits relating to our "Approved Enterprise" programs and grants from the Office of the Chief Scientist, or OCS, for research and development. To be eligible for these grants, programs and tax benefits, we must continue to meet certain conditions, including making certain specified investments in fixed assets. From time to time, the Israeli Government has discussed reducing or eliminating the availability of these grants, programs and benefits. Pursuant to an amendment to Israeli regulations, income from two of our "Approved Enterprises" is exempt from income tax for only two years. Following this two year period, the Approved Enterprise" will be subject to corporate tax at a reduced rate of 10-25% (based on the percentage of foreign ownership in each taxable year) for the following eight years. Income from the other two "Approved Enterprises" are tax exempt for four years. Following this four year period, the "Approved Enterprises" are subject to corporate tax at a reduced rate of 10-25% (based on the percentage of foreign ownership in each taxable year) for the following six years. If grants, programs and benefits available to us or the laws under which they were granted are eliminated or their scope is further reduced, or if we fail to meet the conditions of existing grants, programs or benefits and are required to refund grants or tax benefits already received (together with interest and certain inflation adjustments) or fail to receive approval for future Approved Enterprises, our business, financial condition and results of operations could be materially adversely affected.

WE MAY HAVE EXPOSURE TO ADDITIONAL INCOME TAX LIABILITIES. As a global corporation, we are subject to income taxes both in Israel and various foreign jurisdictions. Our domestic and international tax liabilities are subject to the allocation of revenues and expenses in different jurisdictions and the timing of recognizing revenues and expenses. Additionally, the amount of income taxes paid is subject to our interpretation of applicable laws in the jurisdictions in which we file. From time to time, we are subject to income tax audits. While we believe we comply with all applicable income tax laws, there can be no assurance that a governing tax authority will not have a different interpretation of the law and assess us with additional taxes. Should we be assessed additional taxes, there could be a material adverse affect on our results of operations and financial condition.

OUR BUSINESS COULD BE MATERIALLY ADVERSELY AFFECTED BY WAR, TERRORISM AND NATURAL DISASTER. In the event of war, acts of terrorism or natural disaster, such as widespread disease, earthquake and flood, we could experience significant business interruption. Such conflicts may also cause damage or disruption to transportation and communication systems, which could affect our suppliers' ability to deliver products and to our employees' and distributors' ability to conduct business and provide services.

OUR STOCK PRICE IS VOLATILE. Numerous factors, some of which are beyond our control, may cause the market price of our ordinary shares or the American Depositary Shares (ADSs) representing our ordinary shares to fluctuate significantly.

These factors include, among other things, announcements of technological innovations, customer orders or new products by us or our competitors, earning releases by us or our competitors, market conditions in the industry and the general state of the securities markets (with particular emphasis on the technology and Israeli sectors of the securities markets).

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES.

DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth, as of June 15, 2003, the name, age and position of each of our directors and executive officers:

NAME	AGE	POSITION
Ron Gutler(2)	45	Chairman of the Board of Directors
Joseph Atsmon(2)	54	Vice-Chairman of the Board of Directors
Rimon Ben-Shaoul(4)	58	Director
Joseph Dauber(1)(4)	58	Director
Dan Falk(1)(2)(3)(4)	58	Director
John Hughes	51	Director
David Kostman	38	Director
Dr. Leora Meridor(1)(2)(3)	55	Director
Timothy Robinson(2)	39	Director
Haim Shani	46	President and Chief Executive Officer
Lauri Hanover	43	Corporate Vice President and Chief Financial Officer
Ya'akov Huberman	46	Corporate Vice President, Business Development
Dr. Rivi Sherman	49	Corporate Vice President and Chief Technology Officer
Daphna Kedmi	50	Corporate Vice President, General Counsel and Corporate Secretary
Meni Gal	49	Corporate Vice President, Human Resources
Yoav Zaltzman	45	Corporate Vice President, NiceTrack
Doron Eidelman	48	Executive Vice President, NiceVision
Eytan Bar	37	Corporate Vice President, Products
Zvi Baum	47	Corporate Vice President, Marketing
Dr. Shlomo Shamir	56	President and Chief Executive Officer of NICE Systems Inc.
Jim Park	47	President NICE CTI Systems UK Ltd.

NAME	AGE	POSITION
Doron Ben Sira	43	President NICE APAC Ltd.
Eran Porat	41	Corporate Controller

(1) Member of the Internal Audit Committee.
(2) Member of the Audit Committee.
(3) Outside Director. See "-- Outside Directors."
(4) Member of the Compensation Committee

Set forth below is a biographical summary of each of the above-named directors and executive officers of NICE.

RON GUTLER has been a director of NICE since May 2001 and chairman of the board since May 2002. Mr. Gutler is currently the chairman of G.J.E 121 Promoting Investment Ltd., a real estate investment company. Between 2000 and 2002, he managed the Blue Border Horizon Fund, a global macro fund. Mr. Gutler is a former Managing Director and a Partner of Bankers Trust Company (currently part of Deutche Bank). Between 1987 and 1999, he filled various positions with Bankers Trust. Mr. Gutler headed the Trading and Sales Activities in Asia, South America and Emerging Europe. He also established and headed the Israeli office of Bankers Trust. Mr. Gutler holds a Bachelor's degree in economics and international relations and a Master`s degree in Business Administration, cum laude, both from the Hebrew University, Jerusalem.

JOSEPH ATSMON has been a director of NICE since September 2001 and Vice-Chairman of the Board since May 2002. Mr. Atsmon currently serves as a Director of Ceragon Networks. From 1995 until 2000, Mr. Atsmon served as Chief Executive Officer of Teledata Communications Ltd., a public company acquired by ADC Telecommunications Inc. in 1998. Mr. Atsmon had a twenty year career with Tadiran Ltd. In his last role at Tadiran Ltd., Mr. Atsmon served as Corporate VP for business development. Prior to that, he served as President of various military communications divisions. Mr. Atsmon received a B.Sc. in Electrical Engineering, suma cum laude, from the Technion, Israel Institute of Technology.

RIMON BEN-SHAOUL has been a director of NICE since September 2001. Mr. Ben-Shaoul currently serves as co-Chairman, President, and CEO of Koonras Technologies Ltd. which he joined on February 1, 2001. Koonras Technologies Ltd. is a technology investment company controlled by Poalim Investments Ltd., a large Israeli holding company. Between 1997 and February 1, 2001, Mr. Ben-Shaoul was the President and CEO of Clal Industries and Investments Ltd., one of the largest holding companies in Israel with substantial holdings in the high tech industry. During that time, Mr. Ben-Shaoul also served as Chairman of the Board of Directors of Clal Electronics Industries Ltd., Scitex Corporation Ltd., and various other companies within the Clal Group. Mr. Ben-Shaoul also served as a director of ECI Telecom Ltd., Fundtech Ltd., Creo Products, Inc., Nova Measuring Instruments Ltd., and other public and private companies. From 1985 to 1997, Mr. Ben-Shaoul was President and CEO of Clal Insurance Company Ltd. and a director of the company and its various subsidiaries. Mr. Ben-Shaoul holds a bachelor's degree in economics and a master's degree in business administration, both from Tel-Aviv University.

JOSEPH DAUBER has been a director of NICE since April 2002. Mr. Dauber is currently the chairman of the B.O.D of the Maritime Bank Of Israel. Until June 2002 he was deputy chairman of the board of Management and joint Managing Director of Bank HaPoalim and was responsible for the commercial division of the bank. During the years 1994-1996 and until 6/ 2002 Mr. Dauber served as Chairman of Poalim American Express and of the Isracard Group. He holds a Bachelor's degree in Economics and Statistics and an MBA, both from the Hebrew University of Jerusalem.

DAN FALK has been a director of NICE since January 2002. Mr. Falk serves as a member of the boards of directors of Orbotech Systems Ltd., Attunity Ltd., Orad Ltd., Netafim Ltd., Visionix Ltd., Ramdor Ltd., Medcon Ltd., Advanced Vision Technology Ltd., ClickSoftware Technologies Ltd., Dor Chemicals Ltd. and Poalim(C.M.) Hi-Tech Ltd., all of which are Israeli companies. In1999 and 2000, Mr. Falk was President and Chief Operating Officer of Sapiens International Corporation N.V. From 1985 to 1999, Mr. Falk served in various positions in Orbotech Systems Ltd., the last of which were Chief Financial Officer and Executive Vice President. From 1973 to 1985, he served in several executive positions in the Israel Discount Bank. Mr. Falk holds a Bachelor's degree in Economics and Political Science and a Master's degree in Business Administration from the Hebrew University, Jerusalem. As described above, Mr. Falk serves on the board of directors of a number of companies, both public and private and qualifies as an Outside Director under Israeli law. See "-- Outside Directors."

JOHN HUGHES has been a director of NICE since November 2,2002.Mr Hughes is currently Executive Vice President and COO of the Thales Group and CEO of its IT&S Aerospace Business Areas. During the years 1997 until 2000 he held positions with Lucent Technologies, and was President of its GMS/UMTS division and in the years 1991 through 1997,Mr Hughes served as Director Convex Global Field operations within the Hewlett Packard Company. Prior to that Mr. Hughes held various positions with UK and US companies. Mr. Hughes holds a bachelor of science degree in Electrical and Electronic Engineering from the University of Hertfordshire.

DAVID KOSTMAN has been a director of NICE since January 2000. Mr. Kostman is currently the Chief Operating Officer of Delta Galil USA Inc., a subsidiary of Delta Galil Industries Ltd., a Nasdaq-listed apparel manufacturer. Until May, 2002 he was the Chief Operating Officer of VerticalNet, Inc. and of VerticalNet International, which he joined in June 2000. Prior thereto, Mr. Kostman was a Managing Director in the Investment Banking Division of Lehman Brothers Inc., which he joined in 1994. Mr. Kostman holds a bachelor's degree in law from Tel-Aviv University and a master's degree in business administration from INSEAD, France.

LEORA (RUBIN) MERIDOR has been a director of NICE since January 2002. Since 2001, Dr. Meridor has been the Chairman of the Board of Bezeq International, Poalim Capital Markets and Walla Telecommunication. From 1996 to 2000, Dr. Meridor served as Senior Vice President, Head of the Credit and Risk Management Division of the First International Bank of Israel. Between 1983 and 1996 Dr. Meridor held various positions in the Bank of Israel, the last of which was Head of the Research Department. Dr. Meridor has held various teaching positions with the Hebrew University and holds a Bachelor's degree in mathematics and physics, a Master's degree in Mathematics and a PhD in Economics from the Hebrew University, Jerusalem. Dr. Meridor serves on several boards of directors and qualifies as an Outside Director under Israeli law. See "--Outside Directors."

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

TIMOTHY ROBINSON has been a director of NICE since November 2, 2002. Mr. Robinson is currently Senior Vice President of the Secure Operations business unit of the Thales Group. During the years 1997-2001 Mr. Robinson was Chief Executive of the DCS Group prior to which he was Managing Director of Silicon Graphics/Cray Research. In the years 1984-1995 Mr. Robinson held several positions with IBM Corporation in Europe and Asia the last of which was Director of IBM UK. Mr. Robinson holds a Bachelor of Science (Hons) from the University of Leeds and is currently a director of Camelot, the National Lottery Operator for the United Kingdom.

HAIM SHANI has served as President and Chief Executive Officer of NICE since January 2001. Mr. Shani came to NICE from Applied Materials (Israel), where he served as General Manager in its Israeli office from 1998 to 2000, heading up the Process Diagnostic and Control (PDC) business group formed following the acquisition by Applied Materials of Opal Ltd. and Orbot Instruments, Ltd. Prior to joining Applied Materials, Mr. Shani held various management positions at Orbotech Ltd. From 1995 to 1998, he served as Corporate Vice President of Marketing and Business Development, from 1993 to 1995, he served as President of Orbotech's subsidiary in Asia Pacific, based in Hong Kong and from 1992 to 1993, he served as President of Orbotech Europe, based in Brussels. From 1982 to 1992, Mr. Shani held various management positions at Scitex Corporation and IBM Israel. Mr. Shani holds a bachelor's degree in industrial and management engineering from the Technion - Israel Institute of Technology and a master's degree in business administration from INSEAD, France.

LAURI HANOVER has served as Corporate Vice President and Chief Financial Officer of NICE since December 2000. Ms. Hanover previously served as Executive Vice President and Chief Financial Officer of Sapiens International Corporation N.V. since March 1997. From 1984 to 1997, Ms. Hanover served in a variety of financial management positions, including Corporate Controller, at Scitex Corporation Ltd. Prior thereto, Ms. Hanover was a senior financial analyst at Philip Morris Companies, Inc. Ms. Hanover holds a bachelor's degree in finance from the Wharton School of Business and a bachelor of arts degree from the College of Arts and Sciences, both of the University of Pennsylvania. Ms. Hanover also holds a master's degree in business administration from New York University. Ms. Hanover is a Director and Chairman of the Audit Committee of Nova Measuring Instruments Ltd.

YA'AKOV HUBERMAN has served as Corporate Vice President, Business Development of NICE since January 2000. From 1998 to January 2000, Mr. Huberman served as Vice President of Marketing for the Enterprise Internetworking Systems Group of Lucent Technologies Ltd. and, from 1995 to 1998, he was Vice President of Global Marketing and Business Development for Lannet Data Communications Ltd., which was acquired by Lucent in 1998. Prior thereto, Mr. Huberman was the Managing Director of ServiceSoft Europe, a pan-European leading vendor of artificial intelligence and knowledge-based software for call center and customer service applications. Mr. Huberman holds a bachelor's degree in economics and business administration from the Leon Recanati Business School of Tel-Aviv University.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

DR. RIVI SHERMAN has served as Chief Technology Officer of NICE since December 2001. From 1997 to 2001, she served as General Manager Advanced Products Development of Applied Materials (Israel). From 1989 to 1997, Dr. Sherman held several positions with Orbot Instruments, including Vice President, Wafer Inspection Product Line .Prior to that she conducted research in the area of distributed computing in the University of California. Dr. Sherman holds a bachelor's degree in Mathematics from the Tel Aviv University and a Master's degree and PhD in Computer Science from the Weizmann Institute of Science. Dr. Sherman has various publications and patents to her name.

DAPHNA KEDMI has served as Corporate Vice President, General Counsel and Corporate Secretary of NICE since February 2000. From 1989 to December 1999, Ms. Kedmi served as General Counsel to Elisra Electronic Systems Ltd. and then to Tadiran Ltd., both of which are subsidiaries of Koor Industries Ltd. From 1979 through 1988, Ms. Kedmi was an attorney and then Deputy General Counsel within the legal Department of the Israel Ministry of Defense. Ms. Kedmi has a bachelor's degree in law from Tel-Aviv University and is a member of the Israeli Bar.

MENI GAL has served as Corporate Vice President, Human Resources since January 2001. Prior to joining NICE, Mr. Gal served as Director of Human Resources of Applied Materials Israel since 1999. From 1994 to 1999, Mr. Gal served as Senior Vice President of Human Resources for Strauss Company, an international food company. From 1986 to 1994, Mr. Gal held senior management positions in human resources at Tadiran Communications, a developer of communications technologies for the defense and military industries. Mr. Gal holds a bachelor's degree in education and Behavioral Sciences from Tel-Aviv University.

YOAV ZALTZMAN has served as Corporate Vice President, Business Operations of NICE since May 2001 and is now Corporate Vice President, NiceTrack. Prior to joining NICE, Mr. Zaltzman served as Senior Director of Sales for Applied Materials Israel since 1997. From 1994 to 1997, Mr. Zaltzman served as General Manager of Orbot Instruments in Europe, based in Brussels, which was acquired by Applied Materials in 1997. From 1987 to 1992, Mr. Zaltzman held various sales and marketing positions for Oracle in Israel. Mr. Zaltzman holds a bachelor's degree in Computer Sciences and a master's degree in business administration, both from Tel Aviv University.

DORON EIDELMAN serves as Executive Vice President, NiceVision since May 2002. Previously, he was COO of AudioCodes, a telecommunications company. From 1992 to 2001, Mr. Eidelman was Executive Vice President and President of the Display Division of Orbotech and from 1987 to 1992, he held various positions in Optrotech, the last of which was Vice President. Mr. Eidelman served in an elite intelligence unit in the IDF and was awarded the prestigious Israel Defense Award .He holds a bachelor's degree in electronic engineering from the Technion-Israel Institute of Technology and a master's degree in electronic engineering from the University of Tel Aviv.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

EYTAN BAR is currently Corporate Vice President Product Lines. From 2000 to 2001, he was Vice President Professional Services and from 2001 to 2002, he served as Vice President R&D of the Company . Prior to joining NICE, Mr. Bar held several positions with the STS Group, including General Manager of STS Software Systems Ltd.

ZVI BAUM served as Director of Product Management in the CEM Division of NICE since January 2002. In May 2003 Mr. Baum was promoted to the position of Corporate VP of Marketing. Before joining NICE, Mr. Baum served as the Managing Director of Call Vision Israel Ltd - a company that specialized in the development of advanced web-based quality monitoring solutions for call centers. Prior to that, he served as the VP of International Sales and Marketing at STS Software Systems which developed recording solutions and was acquired by NICE at the end of 1999. Between 1987 and 1998 Mr. Baum worked for a number of American and European companies in several areas, including technical management, marketing and channel management. Mr. Baum holds a B.Sc. in Engineering from the Technion - Israel Institute of Technology and M.Sc. in Computer Science and MBA - both from the University of California LA (UCLA).

DR. SHLOMO SHAMIR has served as President and Chief Executive Officer of NICE Systems Inc., NICE's wholly owned subsidiary and corporate headquarters in North America, since April 2001. Dr. Shamir previously served as President and CEO of CreoScitex America, Inc. from 2000 to April 2001. From 1997 to 2000, Dr. Shamir served as President and CEO of Scitex America Corp. and from 1994 to 1997, he served as its Corporate Vice President of Operations. Prior to 1994, Dr. Shamir served in the IDF where he attained the rank of Brigadier General. Dr. Shamir also built and led the planning division in the IDF headquarters and served as Israel's military attache to Germany. Dr. Shamir holds a bachelor's degree in physics from the Technion - Israel Institute of Technology and masters of science and doctorate degrees in engineering and economic systems from Stanford University.

JIM PARK is currently the President of NICE Sytems CTI UK Ltd, NICE's wholly owned subsidiary and corporate headquarters in EMEA. Mr. Park was previously CEO of Thales Contact Solutions (Previously Racal Recorders) which was acquired, by NICE, in Nov 2002. Prior to Joining Racal, in 1998, Mr. Park held various senior management positions at Mitel Telecom. From 1996 to 1998 he served as General Manager for Mitel's EMEA switching business, from 1994 to 1996 he was VP of business development, from 1991 to 1994 he was director of Marketing and from 1982 to 1991 he held various sales management roles, in Europe, the Middle East and Africa. Mr. Park's early career was spent in various engineering roles with Siemens UK (1979 to 1982) and British Telecom (1974 to 1979), who sponsored him through college.

DORON BEN SIRA has served as President of NICE APAC since February 2002. Mr. Ben-Sira came to NICE from Orbotech, where he served as Vice president of its Assembly division, based in Hong Kong, from 1998 to 2002, leading all sales, marketing and customer support activities of that division. Prior to joining Orbotech, Mr. Ben Sira served from 1996 to 1998 as the East Europe Regional Director of Cisco Systems, Channel and OEM Director at Siemens Data communication from 1995 to 1997, based in Munich, and Sales & Marketing Vice President at Mashov Computers, where he was responsible for all Novell activities in the Middle East region from 1989 to1995. Mr. Ben-Sira holds a bachelor's degree in economics and a master's degree in business administration from Tel Aviv University.

ERAN PORAT has served as Corporate Controller of NICE since March 2000. From 1997 to February 2000, Mr. Porat served as Corporate Controller of Technomatics Technologies Ltd. From 1996 to 1997, he served as Corporate Controller of Nechushtan Elevators Ltd. Mr. Porat is a CPA and holds a bachelor's degree in economics and accounting from the University of Tel-Aviv.

COMPENSATION

The aggregate compensation paid to or accrued on behalf of all our directors and executive officers as a group (27 persons) during 2002 consisted of approximately $3.3 million, in salary, fees, bonus, commissions and directors' fees and $50,000 in amounts set aside or accrued for to provide pension, retirement or similar benefits, but excluding amounts we expended for automobiles made available to our officers, expenses (including business travel, professional and business association dues and expenses) reimbursed to our officers and other fringe benefits commonly reimbursed or paid by companies in Israel.

During 2002, our officers and directors received, in the aggregate, options to purchase up to 410,000 ordinary shares under our 1995 Stock Option Plan. These options have an average exercise price of $11.87 and will expire 6 years after the date the options were granted.

Compensation and reimbursement for Outside Directors (as described below) is statutorily determined pursuant to the Israeli Companies Law, 5759-1999, or the Israeli Companies Law. The statutory rates for Outside Directors is approximately NIS 46,000 per annum and approximately NIS 1,800 per meeting. Compensation and reimbursement of all other directors who do not serve as officers are the same as the statutory rates paid to Outside Directors except for the chairman and vice chairman of the Board who receive 150% and 137.5% of the annual amount, respectively. We do not have directors who serve as officers in the Company.

BOARD PRACTICES

Our articles of association provide that the number of directors serving on the board shall be not less than three but shall not exceed 13. Our directors, other than outside directors, are elected at the annual shareholders meeting to serve until the next annual meeting or until their earlier death, resignation, bankruptcy, incapacity or removal by an extraordinary resolution of the general shareholders meeting. Directors may be re-elected at each annual shareholders meeting. The board may appoint additional directors (whether to fill a vacancy or create new directorship) to serve until the next annual shareholders meeting, provided, however, that the board shall have no obligation to fill any vacancy unless the number of directors is less than three.

The board may, subject to the provisions of the Israeli Companies Law, appoint a committee of the board and delegate to such committee all or any of the powers of the board as it deems appropriate. Notwithstanding the foregoing, the board may, at any time, amend, restate or cancel the delegation of any of its powers to any of its committees. The board has appointed an internal audit committee, as required under the Israeli Companies Law, that has three members, an audit committee that has five members and a compensation committee that has three members.

OUTSIDE DIRECTORS

Under the Israeli Companies Law, companies incorporated under the laws of Israel whose shares have been offered to the public in or outside of Israel are required to appoint at least two "outside" directors.

To qualify as an outside director, an individual or his or her relative, partner, employer or any entity under his or her control, may not have as of the date of appointment as an outside director, and may not have had during the previous two years, any affiliation with the company, with any entity controlling the company on the date of the appointment or with any entity that is a controlling shareholder, on the date of the appointment or during the previous two years, is the company or an entity controlling the company. In general, the term "affiliation" includes:

- an employment relationship;
- a business or professional relationship maintained on a regular basis;
- control; and
- service as an office holder.

No person may serve as an outside director if the person's position or other activities create, or may create, a conflict of interest with the person's responsibilities as an outside director or may otherwise interfere with the person's ability to serve as an outside director.

Outside directors are to be elected by a majority vote at a shareholders' meeting, provided that either:

- the majority of shares voted at the meeting shall include at least one-third of the shares of non-controlling shareholders present at the meeting and voting on the matter (without taking into account the votes of the abstaining shareholders); or

- the total number of shares of non-controlling shareholders voted against the election of the outside directors does not exceed one percent of the aggregate voting rights in the company.

The term of an outside director will be three years and may be extended for an additional three years. Each committee of a company's board of directors which is empowered to exercise any of the board's powers is required to include at least one outside director. We intend to take all actions required for us to comply with the Israeli Companies Law and its requirements for outside directors.

Our outside directors were elected at a Special General Meeting held on December 26, 2001.An outside director is entitled to compensation as provided in regulations adopted under the Israeli Companies Law and is otherwise prohibited from receiving any other compensation, directly or indirectly, in connection with service as director of the company.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

INDEPENDENT DIRECTORS

We are also subject to the rules of the Nasdaq National Market applicable to listed companies. Under the Nasdaq rules applicable to us, we are required to appoint a minimum of two independent directors. The independence standard under the Nasdaq rules excludes any person who is a current or former employee of a company or any of its affiliates, as well as any immediate family member of an executive officer of a company or any of its affiliates. At least two of our current directors meet the independence standard of the Nasdaq rules.

AUDIT COMMITTEE AND INTERNAL AUDIT COMMITTEE

The Israeli Companies Law requires public companies to appoint an internal audit committee. The role of the internal audit committee under the Israeli Companies Law is to examine flaws in the business management of the company in consultation with the internal auditors and the independent accountants, and to propose remedial measures to the board. The internal audit committee also reviews interested party transactions for approval as required by law. Under the Israeli Companies Law, an internal audit committee must consist of at least three directors, including all of the outside directors. The chairman of the board of directors, any director employed by or otherwise providing services to the company on a regular basis, and a controlling shareholder or any relative of a controlling shareholder, may not be a member of the internal audit committee.

In addition, under the Nasdaq rules applicable to us, we are required to maintain an audit committee, comprised of a majority of independent directors. The responsibilities of the audit committee under the Nasdaq rules include, among other things, evaluating the independence of a company's outside auditors.

Pursuant to the Sarbanes-Oxley Act of 2002, the Securities and Exchange Commission (the "SEC") has issued new rules, which would, among other things, require Nasdaq to impose independence requirements on each member of the audit committee. Nasdaq has proposed rules that would comply with the SEC's requirements and which are expected to be applicable to us in 2004.

The proposed requirements would implement two basic criteria for determining independence: (i) audit committee members would be barred from accepting any consulting, advisory or other compensatory fee from the issuer or an affiliate of the issuer, other than in the member's capacity as a member of the board of directors and any board committee, and (ii) audit committee members of an issuer that is not an investment company may not be an "affiliated person" of the issuer or any subsidiary of the issuer apart from his or her capacity as a member of the board and any board committee.

The SEC has proposed to define "affiliate" for non-investment companies as "a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified." The term "control" is proposed to be consistent with the other definitions of this term under the Securities Exchange Act of 1934, as "the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise." A safe harbor has been proposed by the SEC, under which a person who is not an executive officer, director or 10% shareholder of the issuer would be deemed not to have control of the issuer.

Under the final rules adopted by the SEC, an issuer is required to disclose in its annual report, beginning with the annual report for 2003, whether or not such issuer has at least one audit committee financial expert. If it does, the issuer must disclose the name of the expert. If not, the issuer must disclose why it does not have an audit committee financial expert.

We intend to continue to take all actions as may be necessary for us to maintain our compliance with applicable Nasdaq requirements.

INTERNAL AUDITOR

Under the Israeli Companies Law, the board of directors must appoint an internal auditor, proposed by the audit committee. The role of the internal auditor is to examine, among other matters, whether the company's activities comply with the law and orderly business procedure. Under the Israeli Companies Law, the internal auditor may be an employee of the company but may not be an interested party or office holder, or a relative of any interested party or office holder, and may not be a member of the company's independent accounting firm or its representative. We have appointed an internal auditor in accordance with the requirements of the Israeli Companies Law.

EMPLOYEES

At December 31, 2002, we had approximately 1076 employees worldwide, which represented an increase of 29% from year-end 2001.

The following table sets forth the number of our full-time employees at the end of each of the last three fiscal years as well as the main category of activity and geographic location of such employees:

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

CATEGORY OF ACTIVITY	AT DECEMBER 31, 2000	2001	2002
Operations	160	90	66
Customer Support	252	224	296
Sales &Marketing	217	171	293
Research &Development	326	232	269
General &Administrative	154	115	152
TOTAL	1,109	832	1,076
GEOGRAPHIC LOCATION			
Israel	738	543	498
North America	359	260	332
Europe	12	22	230
Asia Pacific	-	7	16
TOTAL	1,109	832	1,076

We also utilize temporary employees in various activities. On average, we employed approximately 17 such temporary employees and 44 contractor employees (not included in the numbers set forth above) during 2002.

Our future success will depend in part upon our ability to attract and retain highly skilled and qualified personnel. Although competition for such personnel in Israel is generally intense, we believe that adequate personnel resources are currently available in Israel to meet our requirements.

We are not a party to any collective bargaining agreement with our employees or with any labor organization. However, we are subject to certain labor related statutes, and to certain provisions of collective bargaining agreements between the Histadrut (General Federation of Labor in Israel) and the Coordinating Bureau of Economic Organizations (including the Industrialists' Association of Israel) that are applicable to our Israeli employees by order of the Israeli Ministry of Labor and Welfare. These statutes and provisions principally concern the length of the work day and the work week, minimum wages for workers, contributions to a pension fund, insurance for work-related accidents, determination of severance pay and other conditions of employment. Furthermore, pursuant to such provisions, the wages of most of our employees are automatically adjusted based on changes in the Israeli consumer price index, or CPI. The amount and frequency of these adjustments are modified from time to time.

Israeli law generally requires the payment by employers of severance pay upon the death of an employee, his retirement or upon termination of employment by the employer without due

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

cause. We currently fund our ongoing severance obligations by making monthly payments to approved severance funds or insurance policies. Please see Note 2(s) to our consolidated financial statements. In addition, according to the National Insurance Law, Israeli employers and employees are required to pay predetermined sums to the National Insurance Institute, an organization similar to the United States Social Security Administration. These contributions entitle the employees to benefits in periods of unemployment, work injury, maternity leave, disability, reserve military service and bankruptcy or winding-up of the employer. Since January 1, 1995, such amount also includes payments for national health insurance. The payments to the National Insurance Institute are equal to approximately 16.25% of an employee's wages , of which the employee contributes approximately 66% and the employer contributes approximately 34%.

EMPLOYMENT AGREEMENTS

We have employment agreements with our officers. Pursuant to these employment agreements, each party may terminate the employment for no cause by giving a 30, 60 or 90 day prior written notice (six months in the case of certain senior employees). In addition, we may terminate such agreement for cause with no prior notice. The agreements generally include non-compete and non-disclosure provisions.

SHARE OWNERSHIP

As of May 31, 2003, our directors and executive officers beneficially owned an aggregate of 14,321 ordinary shares, or approximately 0.090% of our outstanding ordinary shares. Rimon Ben-Shaoul, one of our directors, is deemed to have beneficial ownership of 600,000 ordinary shares (approximately 3.7% of our outstanding ordinary shares) held by Koonras Technologies Ltd., of which he is the Co-Chairman of the Board, President and Chief Executive Officer. Other than Mr. Ben-Shaoul, no individual director or executive officer beneficially owns 1% or more of our outstanding ordinary shares.

As of May 31, 2003, all of our directors and executive officers, in the aggregate, held options under our stock option plans to purchase up to 1,924,500 ordinary shares.

The following is a description of each of our option plans, including the amount of options currently outstanding and the weighted average exercise price.

On December 9, 1998, our board of directors decided to reduce the exercise price of all outstanding employee stock options having an original exercise price above $22.50, excluding options held by members of our board of directors. The amount of options that were repriced was 1,122,066 and the new exercise price was set at $22.50, the fair market value of the ordinary shares on such date. The original exercise price of these options ranged from $33.00 to $42.00.

1995 STOCK OPTION PLAN

In 1995, we adopted the NICE-Systems Ltd. 1995 Stock Option Plan, or 1995 Plan, to attract, motivate and retain talented employees by rewarding performance and encouraging behavior that will improve our profitability. Under the 1995 Plan, our employees and officers may be granted options to acquire our ordinary shares. The options to acquire ordinary shares are granted at an exercise price of not less than the fair market value of the ordinary shares on the date of the grant, subject to certain exceptions which may be determined by our board of directors. We have registered, through the filing of registration statements on Form S-8 with SEC under the Securities Act of 1933, 6,000,000 ADSs for issuance under the 1995 Plan.

Under the terms of the 1995 Plan, 25% of each stock option granted becomes exercisable on each of the first, second, third and fourth anniversaries of the date of grant so long as the grantee is, subject to certain exceptions, employed by us at the date the stock option becomes exercisable. As of February 15, 2000, our board of directors adopted a resolution amending the exercise terms of the 1995 Plan whereby 25% of the stock options granted become exercisable on the first anniversary of the date of grant and 6.25% becomes exercisable once every quarter during the subsequent three years. Stock options expire six years after the date of grant. Stock options are non-transferable except upon the death of the grantee. When applicable, the options are held by, and registered in the name of, a trustee for a period of two years after the date of grant in accordance with Section 102 of the Israeli Income Tax Ordinance.

Pursuant to the Tax Reform (as defined below) and in order to comply with the provisions of Section 102 of the Income Tax Ordinance (Amendment No. 132), 5762-2002 (the "Ordinance"), on February 11, 2003 our board of directors adopted an addendum to our share option plan with respect to options granted as of January 1, 2003 to grantees who are residents of Israel (the "Addendum"). The Addendum does not add to nor modify our share option plan in respect of grantees that are not residents of Israel. On December 19, 2003 the board of directors resolved to elect the "Capital Gains Route" (as defined in Section 102(b)(2) of the Ordinance) for the grant of options to Israeli grantees. Generally, subject to the fulfillment of the provisions of Section 102 of the Ordinance, under the Capital Gains Route gains realized from the sale of shares issued upon exercise of options shall be taxed at a rate of only 25% and not at the marginal income tax rate applicable to the grantee (up to 50%). In general, according to the Addendum and pursuant to the election of the Capital gains Route by our board of directors, all options granted to Israeli grantees, shares issued upon exercise of such options and any bonus shares issued with respect to such shares, shall be held in trust for the benefit of the grantee and registered in the name of a trustee appointed by the Company and approved by the Israeli tax authorities. Such options and shares will, subject to the provisions of Section 102 of the Ordinance and any regulations, rules or orders promulgated thereunder, be held in trust for a period of two years from the end of the tax year in which the options are granted and shall not be released from the trust prior to the payment of the grantee's tax liabilities. In the event the requirements of Section 102 for the allocation of options according to the Capital Gains Route are not met - the options will be regarded as options granted under Section 102(c) of the Ordinance and the applicable marginal income tax rate shall apply. The Addendum, the trustee and the Company's election of the "Capital Gains Route" is approved by the Israeli tax authorities.

The 1995 Plan is generally administered by our board of directors which determines the grantees under the 1995 Plan and the number of options to be granted. As of May 31, 2003, options to purchase 3,274,396 ordinary shares were outstanding under the 1995 Plan at a weighted average exercise price of $35.04

1997 EXECUTIVE SHARE OPTION PLAN

In 1996, we adopted the NICE-Systems Ltd. 1997 Executive Share Option Plan, or 1997 Plan, to provide an incentive to our officers and to our directors who are also officers by enabling them to share in the future growth of our business. We have registered, through the filing of registration statements on Form S-8 with SEC under the Securities Act, 2,000,000 ADSs for issuance under the 1997 Plan.

Under the terms of the 1997 Plan, stock options will be exercisable during a 60-day period ending four years after grant. Notwithstanding the foregoing, if our year-end earnings per share shall reach certain defined targets, 40% of such stock options shall become exercisable; if earnings per share shall reach certain higher defined targets, an additional 30% of such stock options shall become exercisable; and if earnings per share shall reach certain higher defined targets, an additional 30% of such stock options shall become exercisable, provided that with respect to all of the above-referenced periods, our operating profit shall not be less than 10% of revenues and earnings per share shall exclude any non-recurring expenses related to mergers and acquisitions. Notwithstanding the foregoing, none of the stock options shall be exercisable before the expiration of two years from the date of issuance. When applicable, the options are held by, and registered in the name of, a trustee for a period of two years after the date of grant in accordance with Section 102 of the Israeli Income Tax Ordinance.

The 1997 Plan is generally administered by our board of directors, which determines the grantees under the 1997 Plan and the number of options to be granted. As of May 31, 2003,there were no outstanding options to purchase ordinary shares under the 1997 Plan. All of the outstanding options under this plan have expired.

2001 STOCK OPTION PLAN

In 2001, we adopted the NICE-Systems Ltd. 2001 Stock Option Plan, or 2001 Plan, for the purpose of providing an incentive to certain employees, directors, officers and consultants options to acquire our ordinary shares in order to further the advancement our business. The options to acquire ordinary shares are granted at an exercise price equal to the closing price of our ADSs as quoted on the Nasdaq National Market on the most recent date prior to the date of the resolution of our board of directors to grant the option for which the price was quoted. We have registered, through the filing of a registration statement on Form S-8 with SEC under the Securities Act, 4,000,000 ADSs for issuance under the 2001 Plan.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

Under the terms of the 2001 Plan, one-third of the stock options granted became exercisable ten months after the date of grant and the remaining two-thirds will become exercisable on the first and second anniversaries of the first date of exercise so long as the grantee is, subject to certain exceptions, employed by us at the date the stock option becomes exercisable. The third portion of the options granted under this plan may be exercised at the end of the second anniversary of the first date of exercise if we meet a pre-tax profit target of 20%, as determined by our board of directors in its discretion. Unless otherwise determined by our board of directors as of the date of grant, stock options expire six years after the date of grant. Stock options are non-transferable except upon the death of the grantee. When applicable, the options are held by, and registered in the name of, a trustee for a period of two years after the date of grant in accordance with Section 102 of the Israeli Income Tax Ordinance.

The 2001 Plan is generally administered by our board of directors which determines the grantees under the 2001 Plan and the number of options to be granted. As of May 31, 2003, options to purchase 2,292,810 ordinary shares were outstanding under the 2001 Plan at a weighted average exercise price of $12.10.

2001 STOCK OPTION PLAN FOR TRANSITIONAL EMPLOYEES.

In 2001, we adopted the NICE-Systems Ltd. 2001 Stock Option Plan for Transitional Employees, or 2001 Transitional Employees Plan, for the purpose of providing, during a period of transition during which we terminate or transfer certain of our activities, certain officers and other employees options to acquire our ordinary shares. The options to acquire ordinary shares are granted at an exercise price equal to the closing price of our ADSs as quoted on the Nasdaq National Market on the most recent date prior to the date of the resolution of our board of directors to grant the option for which the price was quoted. We have registered, through the filing of a registration statement on Form S-8 with SEC under the Securities Act, 200,000 ADSs for issuance under the 2001 Transitional Employees Plan.

Under the terms of the 2001 Transitional Employees Plan, each stock option granted generally becomes exercisable upon the optionee's termination of employment in accordance with the optionee's termination agreement with us and will remain exercisable until the first to occur of the date which is six months following the date of such termination and the expiration of the stock option's term. Unless otherwise determined by our board of directors as of the date of grant, stock options expire on December 31, 2002. Stock options are non-transferable except upon the death of the grantee.

The 2001 Transitional Employees Plan is generally administered by our board of directors which determines the grantees under the 2001 Transitional Employees Plan and the number of options to be granted. As of May 31, 2003, there were no outstanding options to purchase ordinary shares under the 2001 Transitional Employees Plan. All of the outstanding options under this plan have expired.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

1999 EMPLOYEE STOCK PURCHASE PLAN

In 1999, we adopted the NICE-Systems Ltd. 1999 Employee Stock Purchase Plan, or ESPP, in order to provide an incentive to our employees and the employees of our subsidiaries by providing them with an opportunity to purchase our ordinary shares through accumulated payroll deductions, and thereby enable such persons to share in the future growth of our business. We have registered, through the filing of a registration statement on Form S-8 with SEC under the Securities Act, 500,000 ADSs for issuance under the ESPP.

Under the terms of the ESPP, eligible employees (generally, all our employees and the employees of our eligible subsidiaries who are not directors or controlling shareholders) may, on January 1 and July 1 of each year in which the ESPP is in effect, elect to become participants in the ESPP for that six-month period by filing an agreement with us arranging for payroll deductions of between 2% and 10% of such employee's compensation for the relevant period. An employee's election to purchase ordinary shares under the ESPP is subject to his or her right to withdraw from the ESPP prior to exercise, six months after the offering date. The election price under the ESPP is 85% of the lowest price of our ordinary shares as quoted on the Nasdaq National Market on the commencement date of each offering period or on the semi-annual purchase date.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS.

MAJOR SHAREHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of our ordinary shares as of May 31, 2003 with respect to each person known to us to be the beneficial owner of 5% or more of our outstanding ordinary shares. None of our major shareholders has any different voting rights than any other shareholder.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

NAME AND ADDRESS	SHARES BENEFICIALLY OWNED	
	NUMBER	PERCENT(1)
Bank Leumi 24-32 Yehuda Halevi Street Tel-Aviv 65546, Israel(2)	1,045,420	6.5%
Bank Hapoalim 65 Yehuda Halevi Street Tel Aviv 65227, Israel (3)	862,292	5.4%
Thales SA 173 Boulevard Haussman Paris 75415, France(4)	2,187,500	14%

(1)Based upon 15,831,690 ordinary shares issued and outstanding on June 5, 2003.

(2)Based upon the information contained in a report filed with the Tel Aviv Stock Exchange on June 5, 2003 by Bank Leumi. Bank Leumi holds the shares through several trust funds and provident funds.

(3) Based upon the information contained in a report filed with the Tel Aviv Stock Exchange on June 5, 2003 by Bank Hapoalim. Bank Hapoalim holds the shares through several trust funds and provident funds.

(4) Based on information contained in the Company's files.

As of May 31, 2003, we had 41 ADS holders of record in the United States, holding approximately 47% of our outstanding ordinary shares, as reported by The Bank of New York, the depositary for our ADSs.

To our knowledge, we are not directly or indirectly owned or controlled by another corporation or by any foreign government and there are no arrangements that might result in a change in control of our company.

RELATED PARTY TRANSACTIONS

REGISTRATION RIGHTS AGREEMENT

In November 2002, we consummated an agreement to acquire certain assets and liabilities of Thales Contact Solutions (or TCS), a developer of customer-facing technology for public safety, financial trading and customer contact centers, based in the United Kingdom. TCS was a unit of Thales Group, one of Europe's premier electronics companies. In connection with the acquisition, we issued 2,187,500 ordinary shares to the Thales Group. In November 2, 2002, we entered into a Registration Rights Agreement with Thales SA relating to the 2,187,500 ordinary shares issued to the Thales Group. Under the agreement, we agreed to prepare and file under the Securities Act of 1933 a registration statement covering the offer and sale of the ordinary shares by June 30, 2003. We agreed to bear the expense of such registration. For a discussion of the TCS acquisition, please see "Item 5, Operating and Financial Review."

ITEM 8. FINANCIAL INFORMATION.

CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION.

See "Item 18. Financial Statements" and pages F-1 through F-39.

LEGAL PROCEEDINGS.

We are not involved in any legal proceedings that we believe, individually or in the aggregate, will have a material adverse effect on our business, financial condition or results of operation, except as noted below.

DICTAPHONE PATENT INFRINGEMENT CLAIM

In June 2000, Dictaphone Corporation, one of our competitors, filed a patent infringement claim relating to certain technology embedded in some of our products. The claim is for damages for past infringement and enjoinment of any continued infringement of Dictaphone patents. In the court's discretion, the damages may be trebled and attorney fees awarded. As a result we might be forced to pay significant damages and licensing fees, modify our business practices or even be enjoined from conducting a significant part of our U.S. business. Any such results could materially harm our business. We believe, however, that we have a valid defense to this claim and are vigorously defending it. We have received notification from our insurance company indicating that the claim is not covered by our insurance policy; however, our insurance company has agreed to reimburse for us all legal expenses that we are expending in defense of the claim while reserving its final decision on this matter until the final outcome of the litigation. The discovery period is closed, dispositive motions have been filed with the Court, and we are awaiting the Court's decisions on these motions as well as scheduling for trial.

THE 2001 SECURITIES ACTIONS

On February 8, 2001, the trading price of our securities dropped, following our announcements that, among other things, we would be restating our revenue for fiscal year 1999 and the first three quarters of 2000 and that we were revising downward our revenue estimates for the final quarter of 2000. Thereafter, various plaintiffs filed in the United States District Court for the District of New Jersey fourteen putative class action securities lawsuits against us and several of our present or former officers and directors. The first of these actions was commenced on February 13, 2001. All of the actions have been allocated to the Newark vicinage of the District of New Jersey, and all have been assigned to the Hon. Joseph A. Greenaway, Jr., U.S.D.J.

The complaint in each action alleges that we and the individual defendants violated Section 10(b) of the Exchange Act, 15 U.S.C. ss. 78j(b), and Rule 10b-5 promulgated thereunder. The plaintiffs also attempt to state a "control person" claim against several of the individual defendants under Section 20(a) of the Exchange Act, 15 U.S.C. ss. 78t(a). While there are differences among the fourteen complaints, the plaintiffs essentially contend that we and the individual defendants misrepresented to investors, either affirmatively or through omissions, our financial results and the value of our securities. The plaintiffs seek damages in an unspecified amount. The plaintiffs in each such action seek to represent a class of investors in our securities throughout a specified period, approximately from February 2000 to February 2001.

On April 11, 2001, we and several of the individual defendants successfully moved to consolidate the various actions under the caption "IN RE: NICE SYSTEMS LTD. SECURITIES LITIGATION," Master File No. 01-CV-00737 (JAG), and to establish a schedule for the filing by plaintiffs of an amended consolidated complaint and our and the individual defendants' response to such complaint.

By Order dated May 21, 2001, a group of plaintiffs were appointed "lead plaintiffs" pursuant to the Private Securities Litigation Reform Act of 1995, 15 U.S.C. ss. 78u-4(a)(3)(B). On August 20, 2001, the Lead Plaintiffs filed and served a Consolidated Amended Class Action Complaint, purporting to bring their securities claims on behalf of a class of persons who purchased our ADSs between November 3, 1999, and February 7, 2001. On October 22, 2001, we and the individual defendants moved to dismiss the consolidated complaint in its entirety, for failure to state a claim upon which relief could be granted, for failure to plead fraud with the requisite particularity, and on grounds of FORUM NON CONVENIENS in favor of proceedings in Israel. Briefing on that motion was completed on December 27, 2001.

Before that motion was decided by the Court, the parties to the litigation entered into a settlement of the claim, without any admission of liability or wrongdoing on our part, in the amount of ten million dollars, including attorneys' fees. We received the funds for this settlement through our directors and officers insurance policy.

Because the action was brought as a class action, the settlement was subject to court approval. By Order dated April 7, 2003, the settlement was approved by the United States District Court for the District of New Jersey, over the objections of two shareholders. On April 30, 2003, one of those shareholders, James J. Hayes, appealed from that Order to the United Stated Court of Appeals for the Third Circuit.

Class action proceedings were also filed against us in Israel as a result of the revenue restatement announcement and ensuing decline in the trading price of our securities. On March 7, 2001, Mr. Volfin, a shareholder, filed a request for a class action against us and Benjamin Levin, our former Chairman of the Board, claiming that our financial reports for fiscal year 1999 and the first three quarters of 2000 did not reflect our actual earnings and were therefore misleading. The class that the plaintiff requested to represent included all shareholders that purchased our ordinary shares that are traded on the Tel-Aviv Stock Exchange between February 16, 2000 and February 8, 2001. The plaintiff sought damages with respect to each shareholder in the class in an amount equal to the difference between the purchase price paid for our ordinary shares by such shareholder and the value of our ordinary shares after our financial restatement announcement. In March 2002, we agreed to settle this class action for approximately $4 million, including attorneys fees, without any admission of liability or wrongdoing on our part. We received the funds for this settlement through our directors and officers insurance policy.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

THE CHAPIEWSKI ACTION

In April 2000, we acquired all of the stock of CenterPoint Solutions, Inc., or CenterPoint, an application developer of Web-enabled solutions for statistical tracking, digital recording and automated customer surveys for contact centers, from Douglas Chapiewski, CenterPoint's sole shareholder, in exchange for $3 million in cash and up to 200,000 ordinary shares, of which 50,000 ordinary shares were placed in escrow as target shares for sales target to be achieved by December 31, 2000. Following the acquisition, CenterPoint was merged into a wholly owned subsidiary of ours. The sales target was not achieved as of December 31, 2000 and we are therefore entitled to receive the escrow shares.

By complaint dated March 19, 2002, Mr. Chapiewski filed an action against us and NICE Centerpoint, in the District Court, City and County of Denver, State of Colorado, under the caption "CHAPIEWSKI V. NICE SYSTEMS LTD. AND NICE-CENTERPOINT SOLUTIONS, INC.," Case No. 02 CV 2603. In this complaint, Mr. Chapiewski alleged that we violated Sections 604(3) and 604(4) of the Colorado Securities Act, committed common law fraud and negligent misrepresentation, and breached representations and warranties in the agreement relating to the acquisition, by misrepresenting to Mr. Chapiewski, either affirmatively or through omissions, our financial results and the value of our securities. Mr. Chapiewski also claimed that NICE Centerpoint breached severance provisions of an employment agreement with him in the amount of $80,000. Mr. Chapiewski sought damages in an unspecified amount.

On November 25, 2002 we settled the claim with Mr. Chapiewski, without any admission of liability or wrongdoing on our part, for an amount of three million dollars and fifty thousand NICE shares. We are now seeking reimbursement from our insurance company of the portion of the settlement amount which is, in our opinion, covered by our Directors and Officers insurance policy

ITEM 9. THE OFFER AND LISTING.

TRADING IN THE ADSS

Our American Depositary Shares, or ADSs, have been quoted on The Nasdaq National Market under the symbol "NICEV" from our initial public offering in January 1996 until April 7, 1999, and thereafter under the symbol "NICE." Prior to that time, there was no public market for our ordinary shares in the United States. Each ADS represents one ordinary share. The following table sets forth, for the periods indicated, the high and low last reported sale prices for our ADSs.

	ADSS	
	HIGH	LOW
ANNUAL		
1997	$ 57.500	$ 18.625
1998	48.750	12.000
1999	50.000	21.375
2000	99.000	17.500
2001	27.750	8.875
2002	17.040	6.700
QUARTERLY 2001		
First Quarter	$ 27.750	$ 9.813
Second Quarter	15.270	8.875
Third Quarter	15.600	12.000
Fourth Quarter	17.750	12.670
QUARTERLY 2002		
First Quarter	$ 17.040	$ 13.320
Second Quarter	14.090	11.670
Third Quarter	12.000	8.390
Fourth Quarter	11.280	6.700
MONTHLY 2002/2003		
December	$ 11.280	$ 8.070
January	9.200	8.340
February	10.250	8.400
March	11.130	9.750
April	12.190	11.100
May	15.110	12.140

On June 17, 2003, the last reported sale price of our ADSs was $14.72 per ADS.

The Bank of New York is the depositary for our ADSs. Its address is 101 Barclay Street, New York, New York 10286.

TRADING IN THE ORDINARY SHARES

Our ordinary shares have been listed on the Tel-Aviv Stock Exchange, or TASE, since 1991. Our ordinary shares are not listed on any other stock exchange and have not been publicly traded outside Israel (other than through ADSs as noted above). The table below sets forth the high and low last reported prices of our ordinary shares (in NIS and dollars) on the TASE. The translation into dollars is based on the daily representative rate of exchange published by the Bank of Israel.

	ORDINARY SHARES			
	HIGH		LOW	
	NIS	$	NIS	$
ANNUAL				
1997	204.00	59.13	62.14	18.01
1998	178.20	46.89	54.20	14.26
1999	209.00	50.48	87.90	21.23
2000	388.00	95.10	79.50	19.49
2001	97.90	23.68	39.19	9.27
2002	75.50	16.81	32.02	6.63
QUARTERLY 2001				
First Quarter	97.90	23.68	42.58	10.10
Second Quarter	63.70	15.41	39.19	9.27
Third Quarter	64.70	15.33	49.81	11.48
Fourth Quarter	74.80	17.64	55.20	12.63
QUARTERLY 2002				
First Quarter	75.50	16.81	61.20	13.11
Second Quarter	68.70	14.02	56.30	11.45
Third Quarter	57.40	12.24	40.51	8.36
Fourth Quarter	53.00	11.42	32.02	6.63
MONTHLY 2002/2003				
December	53.00	11.42	39.02	8.18
January	44.56	9.23	37.96	8.01
February	47.94	9.90	41.70	8.56
March	52.80	11.12	47.98	9.91
April	56.30	12.30	51.70	11.28
May	65.90	14.76	57.30	12.77

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

As of June 17, 2003, the last reported price of our ordinary shares on the TASE was NIS 63.90 (or $14.68) per share.

ITEM 10. ADDITIONAL INFORMATION.

MEMORANDUM AND ARTICLES OF ASSOCIATION

ORGANIZATION AND REGISTER

We are a company limited by shares organized in the State of Israel under the Israeli Companies Law. We are registered with the Registrar of Companies of the State of Israel and have been assigned company number 52-0036872.

OBJECTS AND PURPOSES

Our objects and purposes include a wide variety of business purposes, including all kinds of research, development, manufacture, distribution, service and maintenance of products in all fields of technology and engineering and to engage in any other kind of business or commercial activity. Our objects and purposes are set forth in detail in Section 2 of our memorandum of association.

In our annual general meeting of shareholders held on December 24, 2002,we adopted amended and restated articles of association of the Company.

DIRECTORS

Our articles of association provide that the number of directors serving on the board shall be not less than three but shall not exceed 13. Our directors, other than outside directors, are elected at the annual shareholders meeting to serve until the next annual meeting or until their earlier death, resignation, bankruptcy, incapacity or removal by an extraordinary resolution of the general shareholders meeting. Directors may be re-elected at each annual shareholders meeting. The board may appoint additional directors (whether to fill a vacancy or create new directorship) to serve until the next annual shareholders meeting, provided, however, that the board shall have no obligation to fill any vacancy unless the number of directors is less than three. Our officers serve at the discretion of the board.

The board of directors may meet and adjourn its meetings according to the Company's needs but at least once every three months. A meeting of the board may be called at the request of each director. The quorum required for a meeting of the board consists of a majority of directors. The adoption of a resolution by the board requires approval by a simple majority of the directors present at a meeting in which such resolution is proposed. In lieu of a board meeting a resolution may be adopted if a majority of directors consent in writing.

Subject to the Companies law, the board may appoint a committee of the board and delegate to such committee all or any of the powers of the board, as it deems appropriate. Notwithstanding the foregoing, the board may, at any time, amend, restate or cancel the delegation of any of its powers to any of its committees. The board has appointed an internal audit committee which has three members, an audit committee which has five members and a compensation committee which has three members.

APPROVAL OF CERTAIN TRANSACTIONS

The Companies Law codifies the fiduciary duties that "office holders," including directors and executive officers, owe to a company. An office holder's fiduciary duties consist of a duty of care and a duty of loyalty. The duty of loyalty includes avoiding any conflict of interest between the office holder's position in the company and his personal affairs, avoiding any competition with the company, avoiding exploiting any business opportunity of the company in order to receive personal advantage for himself or others, and revealing to the company any information or documents relating to the company's affairs which the office holder has received due to his position as an office holder. Under the Companies Law, all arrangements as to compensation of office holders who are not directors, or controlling parties, require approval of the board of directors. Arrangements regarding the compensation of directors also require audit committee and shareholder approval.

The Companies Law requires that an office holder of the company promptly disclose any personal interest that he or she may have and all related material information known to him or her, in connection with any existing or proposed transaction by the company. In addition, if the transaction is an extraordinary transaction as defined under Israeli law, the office holder must also disclose any personal interest held by the office holder's spouse, siblings, parents, grandparents, descendants, spouse's descendants and the spouses of any of the foregoing. In addition, the office holder must also disclose any interest held by any corporation in which the office holder is a 5% or greater shareholder, director or general manager or in which he or she has the right to appoint at least one director or the general manager. An extraordinary transaction is defined as a transaction other than in the ordinary course of business, otherwise than on market terms, or that is likely to have a material impact on the company's profitability, assets or liabilities.

In the case of a transaction which is not an extraordinary transaction, after the office holder complies with the above disclosure requirement, only board approval is required unless the articles of association of the company provide otherwise. The transaction must not be adverse to the company's interest. Furthermore, if the transaction is an extraordinary transaction, then, in addition to any approval stipulated by the articles of association, it also must be approved by the company's audit committee and then by the board of directors, and, under certain circumstances, by a meeting of the shareholders of the company. An office holder who has a personal interest in a matter that is considered at a meeting of the board of directors or the audit committee may not be present at the deliberations or vote on this matter.

The Companies Law applies the same disclosure requirements to a controlling shareholder of a public company, which includes a shareholder that holds 25% or more of the voting rights if no other shareholder owns more than 50% of the voting rights in the company. Extraordinary transactions with a controlling shareholder or in which a controlling shareholder has a personal interest, and the terms of compensation of a controlling shareholder who is an office holder, require the approval of the audit committee, the board of directors and the shareholders of the company by simple majority, provided that either such majority vote must include at least one-third of the shareholders who have no personal interest in the transaction and are present at the meeting (without taking into account the votes of the abstaining shareholders), or that the total shareholdings of those who have no personal interest in the transaction who vote against the transaction represent no more than one percent of the voting rights in the company.

In addition, a private placement of securities that will increase the relative holdings of a shareholder that holds five percent or more of the company's outstanding share capital (assuming the exercise or conversion of all securities held by such person that are exercisable for or convertible into shares) or that will cause any person to become, as a result of the issuance, a holder of more than five percent of the company's outstanding share capital, requires approval by the board of directors and the shareholders of the company. However, if the receiving party is not a director in the company, its CEO, or a controlling shareholder, and will not become a controlling shareholder as a result of the private placement, shareholder approval is not required if the allotted securities amount to twenty percent or less, of the company's outstanding share capital before the allotment.

Certain types of resolutions, called special or extraordinary resolution, such as resolutions amending a company's articles of association and regarding changes in capitalization, mergers, consolidations, windings up, or authorizing a class of shares with special rights, require approval of the holders of 75% of the shares represented at the meeting and voting thereon. Under the provisions of the Companies Law, the shareholders of a company may decide to amend such company's articles of association to reduce the percentage required for a special resolution to as low as a simple majority or eliminate the distinction between ordinary and special resolutions completely; such an amendment must be adopted by a 75% majority. We have not so amended our articles of association.

Under the Companies Law, a shareholder has a duty to act in good faith towards the company and other shareholders and to refrain from abusing his or her power in the company including, among other things, voting in a general meeting of shareholders on the following matters:

- any amendment to the articles of association;
- an increase of the company's authorized share capital;
- a merger; or
- approval of interested party transactions which require shareholder approval.

In addition, any controlling shareholder, any shareholder who knows that it possesses power to determine the outcome of a shareholder vote and any shareholder who, pursuant to the provisions of a company's articles of association, has the power to appoint or prevent the appointment of an office holder in the company, is under a duty to act with fairness towards the company. The Companies Law does not describe the substance of this duty.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

EXEMPTION, INSURANCE AND INDEMNIFICATION OF DIRECTORS AND OFFICERS

EXEMPTION OF OFFICE HOLDERS

Under the Companies Law, an Israeli company may not exempt an office holder from liability for breach of his duty of loyalty, but may exempt in advance an office holder from liability to the company, in whole or in part, for a breach of his duty of care, provided the articles of association of the company allow it to do so. Our articles of association do not allow us to exempt our office holders to the fullest extent permitted by law.

OFFICE HOLDER INSURANCE

Our articles of association provide that, subject to the provisions of the Companies Law, we may enter into a contract for the insurance of the liability of any of our office holders with respect to:

- a breach of his duty of care to us or to another person,
- a breach of his fiduciary duty to us, provided that the office holder acted in good faith and had reasonable grounds to assume that his act would not prejudice our interests, or
- a financial liability imposed upon him in favor of another person concerning an act performed by him in his capacity as an office holder.

INDEMNIFICATION OF OFFICE HOLDERS

Our articles of association provide that we may indemnify an office holder against:

- a financial liability imposed on him in favor of another person by any judgment, including a settlement or an arbitrator's award approved by a court concerning an act performed in his capacity as an office holder, and
- reasonable litigation expenses, including attorneys' fees, expended by the office holder or charged to him by a court, in proceedings instituted against him by or on our behalf or by another person, or in a criminal charge from which he was acquitted, or a criminal charge in which he was convicted for a criminal offense that does not require proof of intent, in each case relating to an act performed in his capacity as an office holder.

LIMITATIONS ON EXEMPTION, INSURANCE AND INDEMNIFICATION

The Israeli Companies Law provides that a company may not exempt or indemnify an office holder, or enter into an insurance contract, which would provide coverage for any monetary liability incurred as a result of any of the following:

- a breach by the office holder of his duty of loyalty unless, with respect to insurance coverage, the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;

- a breach by the office holder of his duty of care if the breach was done intentionally or recklessly;

- any act or omission done with the intent to derive an illegal personal benefit; or

- any fine levied against the office holder.

REQUIRED APPROVALS

In addition, under the Companies Law, any exemption of, indemnification of, or procurement of insurance coverage for, our office holders must be approved by our audit committee and our board of directors and, if the beneficiary is a director, by our shareholders

MATERIAL CONTRACTS

TCS ACQUISITION

In November 2002, we consummated an agreement to acquire certain assets and liabilities of Thales Contact Solutions (or TCS), a developer of customer-facing technology for public safety, financial trading and customer contact centers, based in the United Kingdom. TCS was a unit of Thales Group, one of Europe's premier electronics companies. In connection with the acquisition, we paid an initial $29.9 million in cash and issued 2,187,500 ordinary shares to Thales Group at a fair market value of $18.1 million calculated at the date of closing. As a result, Thales Group holds approximately 14% of the Company's shares and two Thales executives were elected to the Board of Directors of NICE.

Under the terms of the agreement, the cash portion of the purchase price was subject to downward adjustment based on the value of net assets at closing and the full year 2002 sales of TCS. Based on the actual value of net assets acquired and 2002 sales of TCS, we reduced the cash portion of the purchase price as of December 31, 2002 by $12.8 million. This amount is presented on our balance sheet as a Related Party Receivable. Thus, the adjusted purchase price paid, including $4.5 million of capitalized acquisition costs, was recorded as $39.7 million. Of the $12.8 million adjustment referred to above, Thales paid us $6.6 million in March 2003, and pending agreement on the actual value of net assets acquired, we expect to recover the outstanding balance during 2003. Should we and Thales not reach agreement on the net asset value, the matter will be submitted to binding arbitration in accordance with the terms of the acquisition agreement..

Also under the terms of the agreement, contingent cash payments of up to $10 million in 2003, $7.5 million in 2004, and $7.5 million in 2005 would be due if certain financial performance criteria are met as part of a three-year earn-out provision related to the sale of a particular product in 2002 through 2004. The relevant criteria for 2002 were not met and therefore no contingent payment in respect of 2002 was recorded. We cannot predict with certainty whether, however we do not believe that, the financial criteria will be met in years 2003 and 2004. Should any contingent payments be made under the agreement in the future, the additional consideration when determinable will increase the purchase price and accordingly additional goodwill will be recorded.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

In the fourth quarter of 2002, we recorded a current liability of $2.8 million and a long-term liability of $13.5 million reflecting obligations under a long-term contract assumed by NICE in the TCS acquisition. We have entered into negotiations to amend this contract but there can be no assurance that we will be successful in these negotiations.

STEVENS ACQUISITION

On October 31, 2000, we entered into an Asset Purchase Agreement, among us, our subsidiary Nice Systems, Inc. and Stevens Communications, Inc., or Stevens. This agreement related to our acquisition of certain assets of Stevens, a systems distributor, relating to the promotion, distribution, installation and maintenance of our products in North America, which was consummated in December 2000. Pursuant to the agreement, we acquired the Stevens assets in exchange for approximately $7.0 million in cash, subject to adjustment, and up to 426,745 ordinary shares, of which 95,804 ordinary shares were placed in escrow as security for the indemnification obligations of Stevens to us, 186,818 ordinary shares were placed in escrow as target shares and 38,914 ordinary shares were placed in escrow for the benefit of certain employees of Stevens who we employed following the acquisition, which we released to such employees based on their continued employment by us.

In October 2001, Stevens and we agreed to settle certain disputes relating to the Asset Purchase Agreement and provide mutual releases from certain claims arising under or relating to that agreement. According to the settlement agreement, Stevens paid us approximately $1.3 million, which represented collections by Stevens of accounts receivable for assets purchased by us in the acquisition, less monies owed by us to Stevens for claims under the Asset Purchase Agreement, certain equipment and services received from Stevens and fees for use of Stevens' Business Support Center. In addition, Stevens and we agreed that all of the indemnification and target shares held in escrow pursuant to the Asset Purchase Agreement would be transferred to Stevens.

CENTERPOINT ACQUISITION

On February 19, 2000, we entered into an Amended and Restated Agreement and Plan of Reorganization, among us, CPS Merger Corp., CenterPoint Solutions, Inc., or CenterPoint, and Douglas Chapiewski, the sole stockholder of CenterPoint. This agreement related to our acquisition of all of the stock of CenterPoint, an application developer of Web-enabled solutions for statistical tracking, digital recording and automated customer surveys for contact centers, which was consummated in April 2000. Pursuant to the agreement, we acquired the CenterPoint stock from Mr. Chapiewski in exchange for $3 million in cash and up to 200,000 ordinary shares, of which 50,000 ordinary shares were placed in escrow as target shares for sales target to be achieved by December 31, 2000. We filed a shelf registration statement on Form F-3 to register the resale by Mr. Chapiewski of up to 200,000 ADSs, representing the ordinary shares he received in the transaction. Following the acquisition, CenterPoint was merged into a wholly owned subsidiary of ours.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

By complaint dated March 19, 2002, Mr. Chapiewski filed an action against us and NICE Centerpoint, in Colorado alleging that we violated several Colorado securities laws, committed common law fraud and negligent misrepresentation, and breached representations and warranties in the agreement relating to the acquisition, by misrepresenting to Mr. Chapiewski, either affirmatively or through omissions, our financial results and the value of our securities. Mr. Chapiewski also claimed that NICE Centerpoint breached severance provisions of an employment agreement with him in the amount of $80,000. Mr. Chapiewski sought damages in an unspecified amount. On May 9, 2002, Nice-Centerpoint and we filed and served an answer to the Mr. Chapiewski's complaint. On November 25, 2002 we settled the claim with Chapiewski, without any admission of liability or wrongdoing on our part, for an amount of three million dollars and fifty thousand of the Company's shares. We are now seeking reimbursement from our insurance company of the portion of the settlement amount which is, in our opinion, covered by our Directors and Officers insurance policy.

EXCHANGE CONTROLS

Holders of ADSs are able to convert dividends and liquidation distributions into freely repatriable non-Israeli currencies at the rate of exchange prevailing at the time of repatriation, pursuant to regulations issued under the Currency Control Law, 5738-1978, provided that Israeli income tax has been withheld by us with respect to amounts that are being repatriated to the extent applicable or an exemption has been obtained.

Our ADSs may be freely held and traded pursuant to the General Permit and the Currency Control Law. The ownership or voting of ADSs by non-residents of Israel, except with respect to citizens of countries that are in a state of war with Israel, are not restricted in any way by the our memorandum of association or articles of association or by the laws of the State of Israel.

TAXATION

The following is a discussion of Israeli and United States tax consequences material to our United States shareholders. The discussion is not intended, and should not be construed, as legal or professional tax advice and does not exhaust all possible tax considerations.

Holders of our ADSs should consult their own tax advisors as to the United States, Israeli or other tax consequences of the purchase, ownership and disposition of our ADSs, including, in particular, the effect of any foreign, state or local taxes.

ISRAELI TAX CONSIDERATIONS

The following is a summary of the current tax laws of the State of Israel and certain material Israeli tax considerations as they apply to our United States shareholders. For a discussion of certain Israeli government programs benefiting various Israeli businesses, including us, please see "Item 5, Operating and Financial Review and Prospects."

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

TAX REFORM

On January 1, 2003, the Law for Amendment of the Income Tax Ordinance (Amendment No.132), 5762-2002, known as the Tax Reform, came into effect, following its enactment by the Israeli Parliament on July 24, 2002. On December 17, 2002, the Israeli Parliament approved a number of amendments to the tax reform, which came into effect on January 1, 2003. The tax reform, aimed at broadening the categories of taxable income and reducing the tax rates imposed on employment income, introduced the following, among other things:

o Reduction of the tax rate levied on capital gains (other than gains deriving from the sale of listed securities) derived after January 1, 2003, to a general rate of 25% for both individuals and corporations. Regarding assets acquired prior to January 1, 2003, the reduced tax rate will apply to a proportionate part of the gain, in accordance with the holding periods of the asset, before or after January 1, 2003, on a linear basis;

o Imposition of Israeli tax on all income of Israeli residents, individuals and corporations, regardless of the territorial source of income, including income derived from passive sources such as interest, dividends and royalties;

o Introduction of controlled foreign corporation (CFC) rules into the Israeli tax structure. Generally, under such rules, an Israeli resident who holds, directly of indirectly,10% or more of the rights in a foreign corporation whose shares are not publicly traded, in which more than 50% of the rights are held directly or indirectly by Israeli residents, and a majority of whose income in a tax year is considered passive income, will be liable for tax on the portion of such income attributed to his holdings in such corporation, as if such income were distributed to him as a dividend; and

o Imposition of capital gains tax on capital gains realized by individuals as of January 1, 2003, from the sale of shares of publicly traded companies (such gain was previously exempt from capital gains tax in Israel). For information with respect to the applicability of Israeli capital gains taxes on the sale of ordinary shares, see "CAPITAL GAINS AND INCOME TAXES APPLICABLE TO NON-ISRAELI SHAREHOLDERS" below;

o Introduction of a new regime for the taxation of shares and options issued to employees and officers (including directors).

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

CAPITAL GAINS AND INCOME TAXES APPLICABLE TO NON-ISRAELI SHAREHOLDERS

Israeli law generally imposes a capital gains tax on the sale of capital assets located in Israel, including shares in Israeli companies, by both residents and non-residents of Israel, unless a specific exemption is available or unless a tax treaty between Israel and the shareholder's country of residence provides otherwise. The law distinguishes between real gain and inflationary surplus. The inflationary surplus is a portion of the total capital gain, which is equivalent to the increase of the relevant asset's purchase price, which is attributable to the increase in the Israeli consumer price index between the date of purchase and the date of sale. The real gain is the excess of the total capital gain over the inflationary surplus.

Prior to the tax reform, sales of our ordinary shares by individuals were generally exempt from Israeli capital gains tax for so long as they were quoted on Nasdaq or listed on a stock exchange in a country appearing in a list approved by the Controller of Foreign Currency and we qualified as an Industrial Company. Pursuant to the tax reform, generally, capital gains tax is imposed at a rate of 15% on real gains derived on or after January 1, 2003, from the sale of shares in companies (i) publicly traded on the Tel Aviv Stock Exchange ("TASE") or; (ii) (subject to a necessary determination by the Israeli Minister of Finance) Israeli companies publicly traded on a recognized stock exchange outside of Israel (such as NICE). This tax rate does not apply to: (i) dealers in securities; (ii) shareholders that report in accordance with the Inflationary Adjustment Law; or (iii) shareholders who acquired their shares prior to an initial public offering (that are subject to a different tax arrangement). The tax basis of shares acquired prior to January 1, 2003 will be determined in accordance with the average closing share price in the three trading days preceding January 1, 2003. However, a request may be made to the tax authorities to consider the actual adjusted cost of the shares as the tax basis if it is higher than such average price.

Non-Israeli residents are exempt from Israeli capital gains tax on any gains derived from the sale of shares publicly traded on a the TASE, and are exempt from Israeli capital gains tax on any gains derived from the sale of shares of Israeli companies publicly traded on a recognized stock exchange outside of Israel, provided however that such capital gains are not derive from a permanent establishment in Israel and provided that such shareholders did not acquire their shares prior to an initial public offering. However, non-Israeli corporations will not be entitled to such exemption if an Israeli resident (i) has a controlling interest of 25% or more in such non-Israeli corporation, or (ii) is the beneficiary or is entitled to 25% or more of the revenues or profits of such non-Israeli corporation, whether directly or indirectly.

In any event, the provisions of the tax reform shall not effect the exemption from capital gains tax for gains accrued before January 1, 2003, as described above.

Individuals who are non-residents of Israel are subject to a graduated income tax on income derived or accrued from sources in Israel or received in Israel. Dividend distributions, other than bonus shares (share dividends), are subject to a 25% withholding tax (15% in the case of dividends distributed from taxable income derived from an Approved Enterprise), unless a different rate is provided in a treaty between Israel and the shareholder's country of residence. The withheld tax is the final tax in Israel on dividends paid to non-residents. See "--U.S.-Israel Tax Treaty."

A non-resident of Israel who has dividend income derived from or accrued in Israel, from which tax was withheld at source, is generally exempt from the duty to file tax returns in Israel in respect of such income, provided such income was not derived from a business conducted in Israel by the taxpayer.

Residents of the United States generally will have withholding tax in Israel deducted at source. They may be entitled to a credit or deduction for United States federal income tax purposes in the amount of the taxes withheld, subject to detailed rules contained in United States tax legislation.

U.S.-ISRAEL TAX TREATY

Pursuant to the U.S.-Israel Tax Treaty, which became effective as of January 1, 1995, the sale, exchange or disposition of ADSs by a person who qualifies as a resident of the United States within the meaning of, and who is entitled to claim the benefits afforded to such resident by, the U.S.-Israel Tax Treaty ("Treaty U.S. Resident") will not be subject to the Israeli capital gains tax unless such Treaty U.S. Resident holds, directly or indirectly, shares representing 10% or more of our voting power during any part of the 12-month period preceding such sale, or exchange or disposition, subject to certain conditions. A sale, exchange or disposition of ADSs by a Treaty U.S. Resident who holds, directly or indirectly, shares representing 10% or more of the voting power of NICE at any time during such preceding 12-month period would be subject to such Israeli tax, to the extent applicable; however, under the U.S.-Israel Tax Treaty, the gain would be treated as foreign source income for United States foreign tax credit purposes and such Treaty U.S. Resident would be permitted to claim a credit for such taxes against the United States income tax imposed on such sale, exchange or disposition, subject to the limitations under the United States federal income tax laws applicable to foreign tax credits.

Under the U.S.-Israel Treaty, the maximum Israeli withholding tax on dividends is 25%. Dividends of an Israeli company derived from income of an Approved Enterprise are subject to a 15% withholding tax under Israeli law. The U.S.-Israel Tax Treaty further provides for a 12.5% Israeli dividend withholding tax on dividends paid to a United States corporation owning 10% or more of an Israeli company's voting stock for, in general, the current and preceding tax years of the Israeli company provided such United States corporation meets certain limitations concerning the amount of its dividend and interest income. The lower 12.5% rate applies only on dividends from income not derived from an Approved Enterprise in the applicable period and does not apply if the company has certain amounts of passive income. See "--Capital Gains and Income Taxes Applicable to Non-Israeli Shareholders."

U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain material U.S. Federal income tax consequences that apply to U.S. Holders who hold ADSs as capital assets. This summary is based on U.S. Federal income tax laws, regulations, rulings and decisions in effect as of the date of this annual report, all of which are subject to change at any time, possibly with retroactive effect. This

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

summary does not address all tax considerations that may be relevant with respect to an investment in ADSs. This summary does not account for the specific circumstances of any particular investor such as

- broker-dealers;
- financial institutions;
- certain insurance companies;
- investors liable for alternative minimum tax;
- tax-exempt organizations;
- investors that actually or constructively own 10 percent or more of our voting shares;
- investors holding ADSs as part of a straddle or a hedging or conversion transaction; and
- investors that are treated as partnerships or other pass through entities for U.S. federal income tax purposes.

This summary does not address the effect of any U.S. Federal taxation other than U.S. Federal income taxation. In addition, this summary does not include any discussion of state, local or foreign taxation.

You are urged to consult your tax advisors regarding the foreign and United States Federal, state and local tax considerations of an investment in ADSs. For purposes of this summary, a U.S. Holder is:

- an individual who is a citizen or, for U.S. Federal income tax purposes, a resident of the United States;
- a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any political subdivision thereof;
- an estate whose income is subject to U.S. Federal income tax regardless of its source; or
- a trust if:

(a) a court within the United States is able to exercise primary supervision over administration of the trust; and

(b) one or more United States persons have the authority to control all substantial decisions of the trust.

TAXATION OF DIVIDENDS

Subject to the discussion below under "passive foreign investment companies," the gross amount of any distributions that you receive with respect to ADSs, including the amount of any Israeli taxes withheld from these distributions, will constitute dividends for U.S. Federal income tax purposes, to the extent of our current and accumulated earnings and profits as determined for

U.S. Federal income tax principles. You will be required to include this amount of dividends in gross income as ordinary income on the date such dividend is actually or constructively received. Distributions in excess of our earnings and profits will be treated as a non-taxable return of capital to the extent of your tax basis in the ADSs and, to the extent in excess of your tax basis, will be treated as capital gain. See "--Dispositions of ADSs" below for the discussion on the taxation of capital gains. Dividends generally will not qualify for the dividends-received deduction available to corporations.

Dividends that we pay in NIS, including the amount of any Israeli taxes withheld from these dividends, will be included as income to you in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day such dividends are distributed. If you convert dividends paid in NIS into U.S. Dollars on the day the dividends are distributed, you generally should not be required to recognize foreign currency gain or loss with respect to such conversion. Any gain or loss resulting from a subsequent exchange of such NIS generally will be treated as U.S. source ordinary income or loss.

Subject to certain conditions and limitations, you may elect to claim a credit against your U.S. Federal income tax liability for Israeli tax withheld from dividends received in respect of the ADSs. Dividends generally will be treated as foreign-source passive income or financial services income for United States foreign tax credit purposes. The rules relating to the determination of the foreign tax credit are complex, and you should consult your personal tax advisors to determine whether and to what extent you would be entitled to this credit. Alternatively, you may elect to claim a U.S. tax deduction, instead of a foreign tax credit, for such Israeli tax, but only for a year in which you elect to do so with respect to all foreign income taxes. DISPOSITIONS OF ADSS

If you sell or otherwise dispose of your ADSs, you will recognize gain or loss for U.S. Federal income tax purposes in an amount equal to the difference between the amount realized on the sale or other disposition and your adjusted tax basis in your ADSs. Subject to the discussion below under the heading "--Passive Foreign Investment Companies," such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if you had held the ADSs for more than one year at the time of the sale or other disposition. Long-term capital gains realized by individual U.S. Holders generally are subject to a lower marginal U.S. federal income tax rate than ordinary income. Under most circumstances, any gain that you recognize on the sale or other disposition of ADSs will be U.S.-source for purposes of the foreign tax credit limitation; and losses recognized will be allocated against U.S. source income.

PASSIVE FOREIGN INVESTMENT COMPANIES

For U.S. Federal income tax purposes, we will be considered a passive foreign investment company, or PFIC, for any taxable year in which either 75% or more of our gross income is passive income, or at least 50% of the average value of all of our assets for the taxable year produce or are held for the production of passive income. For this purpose, passive income includes dividends, interest, royalties, rents, annuities and the excess of gain over losses from the disposition of assets which produce passive income. If we were determined to be a PFIC for U.S. Federal income tax purposes, highly complex rules would apply to U.S. Holders owning ADSs. Accordingly, you are urged to consult your tax advisors regarding the application of such rules.

If we are treated as a PFIC for any taxable year,

- you would be required to allocate income recognized upon receiving certain dividends or gain recognized upon the disposition of ADSs ratably over your holding period for such ADSs,

- the amount allocated to each year during which we are considered a PFIC other than the year of the dividend payment or disposition would be subject to tax at the highest individual or corporate tax rate, as the case may be, and an interest charge would be imposed with respect to the resulting tax liability allocated to each such year,

- gain recognized upon the disposition of ADSs would be taxable as ordinary income and

- you would be required to make an annual return on IRS Form 8621 regarding distributions received with respect to ADSs and any gain realized on your ADSs.

One method to avoid the aforementioned treatment is to make a timely mark-to-market election in respect of your ADSs. If you elect to mark-to-market your ADSs, you will generally include in income any excess of the fair market value of the ADSs at the close of each tax year over your adjusted basis in the ADSs. If the fair market value of the ADSs had depreciated below your adjusted basis at the close of the tax year, you may generally deduct the excess of the adjusted basis of the ADSs over its fair market value at that time. However, such deductions generally would be limited to the net mark-to-market gains, if any, that you included in income with respect to ADSs in prior years. Income recognized and deductions allowed under the mark-to-market provisions, as well as any gain or loss on the disposition of ADSs with respect to which the mark-to-market election is made, is treated as ordinary income or loss.

Based on our income, assets and activities for the year 2002, we believe that we were not a PFIC for that year, nor do we expect to become a PFIC in the foreseeable future. However, there can be no assurances that we will not be treated as a PFIC for that year or any taxable year. If we are or become a PFIC for any taxable year included in your holding period, we generally will remain a PFIC for all subsequent taxable years with respect to your holding of our ADSs.

YOU ARE URGED TO CONSULT YOUR TAX ADVISOR REGARDING THE POSSIBILITY OF US BEING CLASSIFIED AS A PFIC AND THE POTENTIAL TAX CONSEQUENCES ARISING FROM THE OWNERSHIP AND DISPOSITION (DIRECTLY OR INDIRECTLY) OF AN INTEREST IN A PFIC.

BACKUP WITHHOLDING AND INFORMATION REPORTING

Payments in respect of ADSs may be subject to information reporting to the U.S. Internal Revenue Service and to U.S. backup withholding tax. Backup withholding will not apply, however, if you furnish a correct taxpayer identification number and make any other required certification or are otherwise exempt from backup withholding. Generally, you will provide such certification on Form W-9 (Request for Taxpayer Identification Number and Certification).

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

DOCUMENTS ON DISPLAY

We are subject to certain of the information reporting requirements of the Securities and Exchange Act of 1934, as amended. We, as a "foreign private issuer" are exempt from the rules and regulations under the Securities Exchange Act prescribing the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and "short-swing" profit recovery provisions contained in Section 16 of the Securities Exchange Act, with respect to their purchase and sale of our shares. In addition, we are not required to file reports and financial statements with the Securities and Exchange Commission as frequently or as promptly as U.S. companies whose securities are registered under the Securities Exchange Act. However, we will file with the Securities and Exchange Commission an annual report on Form 20-F containing financial statements audited by an independent accounting firm. We will also furnish quarterly reports on Form 6-K containing unaudited financial information after the end of each of the first three quarters.

You may read and copy any document we file with the SEC at its public reference facilities at, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the SEC's regional offices at 500 West Madison Street, Suite 1400, Chicago, IL 60661-2511. You may also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549. The SEC also maintains a web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of this web site is http://www.sec.gov. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities. In addition, our ADSs are quoted on the Nasdaq Stock Market, so our reports and other information can be inspected at the offices of the National Association of Securities Dealers, Inc. at 1735 K Street, N.W., Washington, D.C. 20006.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

GENERAL

Market risks relating to our operations result primarily from weak economic conditions in the markets in which we sell our products and changes in interest rates and exchange rates. To manage the volatility related to the latter exposure, we may enter into various derivative transactions. Our objective is to reduce, where it is deemed appropriate to do so, fluctuations in earnings and cash flows associated with changes in currency exchange rates. It is our policy and practice to use derivative financial instruments only to manage exposures. We do not use financial instruments for trading purposes and are not a party to any leveraged derivative.

FOREIGN CURRENCY RISK. We conduct our business primarily in U.S. dollars but also in the currencies of the United Kingdom, Canada, the European Union and Israel. Thus, we are exposed to foreign exchange movements, primarily in UK, European and Israel currencies. We monitor foreign currency exposure and, from time to time, may enter into various contracts to preserve the value of sales transactions and commitments.

INTEREST RATE RISK. We invest in investment-grade U.S. corporate bonds and dollar deposits with FDIC-insured U.S. banks. Since these investments carry fixed interest rates and since our policy and practice is to hold these investments to maturity, interest income over the holding period is not sensitive to changes in interest rates. As of December 31, 2002, we had no other exposure to changes in interest rates and had no interest rate derivative financial instruments outstanding.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES.

Not Applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES.

Not Applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS.

Not Applicable.

ITEM 15. CONTROLS AND PROCEDURES

Within the 90 days prior to the filing date of this report, NICE carried out an evaluation under the supervision and with the participation of NICE's management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of NICE's disclosure control and procedures pursuant to Rule 13a-14 under the Securities Act of 1934. Based upon that evaluation, NICE's Chief Executive Officer and Chief Financial Officer concluded that NICE's disclosure controls and procedures are effective in timely alerting them to material information relating to NICE (including its consolidated subsidiaries) required to be included in NICE's periodic SEC filings. Since the date of the evaluation, there have been no significant changes in our internal controls or in other factors that could significantly affect the controls. We intend to continue to refine our internal controls on an ongoing basis as we deem appropriate with a view towards making improvements.

ITEM 16. [RESERVED]

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

PART III

ITEM 17. FINANCIAL STATEMENTS.

Not Applicable.

ITEM 18. FINANCIAL STATEMENTS.

See pages F-1 through F-42, incorporated herein by reference.

ITEM 19. EXHIBITS.

EXHIBIT NO.	DESCRIPTION
1.1*	Memorandum of Association of NICE-Systems Ltd. (together with an English translation thereof) (filed as Exhibit 3.1 to NICE-Systems Ltd.'s Registration Statement on Form F-1 (Registration No. 333-99640) filed with the Commission on November 21, 1995, and incorporated herein by reference)
1.2	Articles of Association of NICE-Systems Ltd. approved by the Annual General Meeting of the Company's shareholders held on December 24, 2002.
2.1*	Form of Share Certificate (filed as Exhibit 4.1 to Amendment No. 1 to NICE-Systems Ltd.'s Registration Statement on Form F-1 (Registration No. 333-99640) filed with the Commission on December 29, 1995, and incorporated herein by reference)
2.2*	Form of Deposit Agreement including Form of ADR Certificate (filed as Exhibit A to NICE-Systems Ltd.'s Registration Statement on Form F-6 (Registration No. 333-13518) filed with the Commission on May 17, 2001, and incorporated herein by reference)
4.1*	Amended and Restated Agreement and Plan of Reorganization, dated February 19, 2000, by and among NICE-Systems Ltd., CPS Merger Corp., CenterPoint Solutions, Inc. and Douglas Chapiewski. (filed as Exhibit 2 to NICE-Systems Ltd.'s Annual Report on Form 20-F (File No. 000-27466) filed with the Commission on May 26, 2000, and incorporated herein by reference)
4.2*	Asset Purchase Agreement, dated October 31, 2000, by and among NICE-Systems Ltd., NICE Systems, Inc. and Stevens Communications Inc. (filed as Exhibit 10.1 to NICE-Systems Ltd.'s Registration Statement on Form F-3 (Registration No. 333-12996) filed with the Commission on December 18, 2000, and incorporated herein by reference)
4.3	Sales and Purchase Agreement dated July 30, 2002 by and among NICE-Systems Ltd, NICE CTI Systems UK Ltd., NICE Systems SARL, NICE Systems GmbH, NICE Systems, Inc. and Thales SA.
4.4	Registration Rights Agreement between NICE-Systems Ltd. and Thales SA.
4.5	Manufacturing Outsourcing Agreement between Nice Systems Ltd. dated January 21, 2002 by and among Nice Systems Ltd. and Flextronics Israel Ltd.
4.6	Manufacturing Agreement dated November 5,2001 by and among Thales Contact Solutions Ltd. And Instem Technologies Ltd.
8.1	List of significant subsidiaries

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

10.1	Consent Kost, Forer &Gabbay, a member of Ernst &Young Global.
10.2	Certification of Haim Shani pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
10.3	Certification of Lauri Hanover pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Previously Filed

NICE SYSTEMS LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2002

U.S. DOLLARS IN THOUSANDS

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REPORT OF INDEPENDENT AUDITORS

TO THE SHAREHOLDERS OF

NICE SYSTEMS LTD.

We have audited the accompanying consolidated balance sheets of NICE Systems Ltd. ("the Company") and subsidiaries as of December 31, 2001 and 2002, and the related consolidated statements of operations, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the consolidated financial position of the Company and subsidiaries as of December 31, 2001 and 2002, and the consolidated results of their operations and cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2l to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" effective January 1, 2002.

/s/ Kost Forer & Gabay

Tel-Aviv, Israel
May 28, 2003

KOST FORER & GABBAY
A Member of Ernst & Young Global

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

CONSOLIDATED BALANCE SHEETS

U.S. DOLLARS IN THOUSANDS

	DECEMBER 31, 2001	DECEMBER 31, 2002
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 25,256	$ 19,281
Short-term bank deposits	311	208
Marketable securities	29,270	33,853
Trade receivables (net of allowance for doubtful accounts of $ 3,146 and $6,010 in 2001 and 2002, respectively)	28,435	45,863
Unbilled receivables	6,574	7,495
Other receivables and prepaid expenses	5,465	8,234
Related party receivables	-	12,804
Inventories	11,057	13,480
TOTAL current assets	106,368	141,218
LONG-TERM INVESTMENTS:		
Long-term marketable securities	34,176	15,247
Investment in affiliates	1,429	1,200
Severance pay fund	5,357	5,490
Long-term receivables and prepaid expenses	471	888
TOTAL long-term investments	41,433	22,825
PROPERTY AND EQUIPMENT, NET	22,111	24,345
INTANGIBLE ASSETS, NET	11,900	20,483
GOODWILL	28,200	27,417
TOTAL assets	$ 210,012	$ 236,288

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

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

CONSOLIDATED BALANCE SHEETS

U.S. DOLLARS IN THOUSANDS (EXCEPT SHARE DATA)

	DECEMBER 31,	
	2001	2002
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:		
Accrued severance pay	6,543	6,240
Other long-term liabilities	14	13,500
TOTAL long-term liabilities	6,557	19,740
COMMITMENTS AND CONTINGENT LIABILITIES		
SHAREHOLDERS' EQUITY:		
Share capital-		
Ordinary shares of NIS 1 par value:		
Authorized: 50,000,000 shares as of December 31, 2001 and 2002;		
Issued and outstanding: 13,273,798 and 15,704,425 shares as of December 31, 2001 and 2002, respectively	4,398	4,908
Additional paid-in capital	192,845	213,003
Deferred stock compensation	(24)	(12)
Accumulated other comprehensive income (loss)	(38)	782
Accumulated deficit	(30,163)	(64,145)
TOTAL shareholders' equity	167,018	154,536
TOTAL liabilities and shareholders' equity	$ 210,012	$ 236,288

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

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

CONSOLIDATED STATEMENTS OF OPERATIONS

U.S. DOLLARS IN THOUSANDS (EXCEPT PER SHARE DATA)

	YEAR ENDED DECEMBER 31,		
	2000	2001	2002
Revenues			
Products	$*) -	$ 112,634	$ 134,783
Services	*) -	14,474	27,722
Total revenues	153,163	127,108	162,505
Cost of revenues			
Products	*) -	54,321	58,693
Services	*) -	19,446	26,054
Total cost of revenues	73,554	73,767	84,747
Gross profit	79,609	53,341	77,758
Operating expenses:			
Research and development, net	19,502	19,190	17,925
Selling and marketing	35,448	35,046	40,494
General and administrative	28,300	27,143	23,806
Amortization of acquired intangible assets, restructuring expenses, in-process research and development and goodwill impairment	7,646	17,967	29,092
TOTAL operating expenses	9 0,896	99,346	111,317
Operating loss	(11,287)	(46,005)	(33,559)
Financial income, net	6,188	4,254	3,992
Other income (expenses), net	53	(4,846)	(4,065)
Loss before taxes on income	(5,046)	(46,597)	(33,632)
Taxes on income	273	198	350
Net loss	$ (5,319)	$ (46,795)	$ (33,982)
Basic and diluted net loss per share	$ (0.43)	$ (3.59)	$ (2.46)

*) Not available.

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

U.S. DOLLARS IN THOUSANDS

	SHARE CAPITAL	ADDITIONAL PAID-IN CAPITAL	DEFERRED STOCK COMPENSATION	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
Balance as of January 1, 2000	$ 4,062	$ 153,160	$ (103)	$ -
Issuance of shares of ESPP	7	934	-	-
Issuance of shares in respect of the acquisition of CPS	37	9,349	-	-
Issuance of shares in respect of the acquisition of SCI	54	10,267	-	-
Deferred stock compensation	-	72	(72)	-
Amortization of deferred stock compensation	-	-	128	-
Exercise of share options and warrants	153	13,897	-	-
Comprehensive loss:				
Net loss	-	-	-	-
Total comprehensive loss				
Balance as of December 31, 2000	4,313	187,679	(47)	-
Issuance of shares of ESPP	31	1,408	-	-
Issuance of shares related to a settlement agreement in respect of the acquisition of SCI	46	3,345	-	-
Amortization of deferred stock compensation	-	-	23	-
Exercise of share options	8	413	-	-
Comprehensive loss:				
Unrealized gains (losses) on derivative instruments, net	-	-	-	(38)
Net loss	-	-	-	-
Total comprehensive loss				
Balance as of December 31, 2001	4,398	192,845	(24)	(38)
Issuance of shares of ESPP	28	1,355	-	-
Issuance of shares in respect of settlement agreement	11	458	-	-
Issuance of shares in respect of the acquisition of TCS	458	17,593	-	-
Issuance of shares in respect of the acquisition of SCI	*) -	29	-	-
Amortization of deferred stock compensation	-	-	12	-
Exercise of share options	13	723	-	-
Comprehensive loss:				
Foreign currency translation adjustments	-	-	-	793
Unrealized gains (losses) on derivative instruments, net	-	-	-	27
Net loss	-	-	-	-
Total comprehensive loss				
Balance as of December 31, 2002	$ 4,908	$ 213,003	$ (12)	$ 782
Accumulated unrealized losses on derivative instruments				$ (11)
Accumulated foreign currency translation adjustments				793
Accumulated other comprehensive income as of December 31, 2002				$ 782

(CONTINUED)

	RETAINED EARNINGS (ACCUMULATED DEFICIT)	TOTAL COMPREHENSIVE LOSS	TOTAL SHAREHOLDERS' EQUITY
Balance as of January 1, 2000	$ 21,951		$ 179,070
Issuance of shares of ESPP	-		941
Issuance of shares in respect of the acquisition of CPS	-		9,386
Issuance of shares in respect of the acquisition of SCI	-		10,321
Deferred stock compensation	-		-
Amortization of deferred stock compensation	-		128
Exercise of share options and warrants	-		14,050
Comprehensive loss:			
Net loss	(5,319)	$ (5,319)	(5,319)
Total comprehensive loss		$ (5,319)	
Balance as of December 31, 2000	16,632		208,577
Issuance of shares of ESPP	-		1,439
Issuance of shares related to a settlement agreement in respect of the acquisition of SCI	-		3,391
Amortization of deferred stock compensation	-		23
Exercise of share options	-		421
Comprehensive loss:			
Unrealized gains (losses) on derivative instruments, net	-	$ (38)	(38)
Net loss	(46,795)	(46,795)	(46,795)
Total comprehensive loss		$ (46,833)	
Balance as of December 31, 2001	(30,163)		167,018
Issuance of shares of ESPP	-		1,383
Issuance of shares in respect of settlement agreement	-		469
Issuance of shares in respect of the acquisition of TCS	-		18,051
Issuance of shares in respect of the acquisition of SCI	-		29
Amortization of deferred stock compensation	-		12
Exercise of share options	-		736
Comprehensive loss:			

Foreign currency translation adjustments	-	$ 793	793
Unrealized gains (losses) on derivative instruments, net	-	27	27
Net loss	(33,982)	(33,982)	(33,982)
Total comprehensive loss			
Balance as of December 31, 2002	$ (64,145)	$ (33,162)	$ 154,536

Accumulated unrealized losses on derivative instruments
Accumulated foreign currency translation adjustments

Accumulated other comprehensive income as of December 31, 2002

*) Represents an amount lower than $ 1.

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

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. DOLLARS IN THOUSANDS

	YEAR ENDED DECEMBER 31,		
	2000	2001	2002
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (5,319)	$ (46,795)	$ (33,982)
Adjustments required to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	11,725	15,266	15,665
Write-off of acquired in-process research and development	6,786	-	1,270
Stock compensation in respect of SCI acquisition	-	476	-
Stock compensation in respect of CPS settlement	-	-	469
Amortization of deferred stock compensation	128	23	12
Accrued severance pay, net	899	(330)	(436)
Loss on disposal of property and equipment and goodwill impairment in respect of restructuring	-	3,062	-
Goodwill impairment	-	-	28,260
Impairment of investment in affiliate	-	-	229
Amortization of discount (premium) and accrued interest on held-to-maturity marketable securities	(345)	183	915
Loss on sale of assets of Dees	-	281	-
Decrease (increase) in trade and unbilled receivables	(12,968)	12,459	(2,146)
Decrease (increase) in other receivables and prepaid expenses	(82)	6,512	(1,254)
Decrease (increase) in inventories	(10,006)	9,635	4,510
Increase in long-term prepaid expenses	-	(471)	(446)
Increase (decrease) in trade payables	1,438	(1,527)	3,199
Increase in accrued expenses and other liabilities	5,729	3,392	3,533
Other	(53)	113	315
Net cash provided by (used in) operating activities	(2,068)	2,279	20,113

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. DOLLARS IN THOUSANDS

	YEAR ENDED DECEMBER 31,		
	2000	2001	2002
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(14,161)	(7,623)	(5,439)
Proceeds from sale of property and equipment	394	1,301	557
Purchase of intangible assets	-	(25)	(610)
Investment in held-to-maturity marketable securities	(45,138)	(48,601)	(16,936)
Proceeds from maturity of held-to-maturity marketable securities	38,525	39,977	29,492
Proceeds from sale of a held-to-maturity marketable security	-	-	820
Investment in short-term bank deposits	(31,028)	(384)	(150)
Proceeds from short-term bank deposits	49,454	24,448	265
Investment in affiliates	(1,200)	-	-
Payment for the acquisition of CPS (a)	(3,189)	-	-
Payment for the acquisition of assets and liabilities of SCI (b)	(6,960)	-	-
Proceeds from sale of assets of Dees (c)	-	255	-
Payment for the acquisition of TCS (d)	-	-	(31,480)
Decrease in accrued acquisition costs	-	(1,436)	(214)
Capitalization of software development costs	(4,730)	(5,435)	(4,609)
Other	(80)	-	-
Net cash provided by (used in) investing activities	(18,113)	2,477	(28,304)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of shares and exercise of share options and warrants, net	14,991	1,860	2,119
Short-term bank credit, net	(3)	-	24
Net cash provided by financing activities	14,988	1,860	2,143
Effect of exchange rate changes on cash	-	-	73
Increase (decrease) in cash and cash equivalents	(5,193)	6,616	(5,975)
Cash and cash equivalents at the beginning of the year	23,833	18,640	25,256
Cash and cash equivalents at the end of the year	$ 18,640	$ 25,256	$ 19,281
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS ACTIVITIES:			
Cash paid during the year for:			
Income taxes	$ 105	$ 257	$ 445

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

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

U.S. DOLLARS IN THOUSANDS

	YEAR ENDED DECEMBER 31,		
	2000	2001	2002
(a) PAYMENT FOR THE ACQUISITION OF CPS:			
Net fair value of assets acquired and liabilities assumed at the acquisition date:			
Working capital (excluding cash and cash equivalents)	$ 158		
Property and equipment	185		
Long-term investments	93		
Long-term liabilities	(42)		
In-process research and development	6,786		
Core technology	2,189		
Assembled work-force	409		
Goodwill	2,797		
	12,575		
Less - amount acquired by issuance of shares	(9,386)		
	$ 3,189		
(b) PAYMENT FOR THE ACQUISITION OF CERTAIN ASSETS AND LIABILITIES OF SCI:			
Estimated fair value of assets acquired and liabilities assumed at the acquisition date:			
Working capital deficiency	$ (5,231)		
Assembled work-force	523		
Goodwill	23,639		
	18,931		
Less - amount acquired by issuance of shares	(10,321)		
Less - accrued acquisition costs	(1,650)		
	$ 6,960		
ISSUANCE OF ADDITIONAL SHARES IN RESPECT OF SCI ACQUISITION:			
Adjustment to working capital		$ (282)	$ -
Goodwill		3,197	29
		$ 2,915	$ 29

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

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

	YEAR ENDED DECEMBER 31,		
	2000	2001	2002
(c) PROCEEDS FROM SALE OF ASSETS OF DEES:			
Working capital		$ 536	
Loss on sale		(281)	
		$ 255	
(d) PAYMENT FOR THE ACQUISITION OF CERTAIN ASSETS AND LIABILITIES OF TCS			
Estimated fair value of assets acquired and liabilities assumed at the acquisition date:			
Working capital (excluding cash and cash equivalents)			$ 8,347
Related party receivables			12,804
Property and equipment			7,616
Intangible assets			9,320
In-process research and development			1,270
Other long-term liability			(13,500)
Goodwill			26,682
			52,539
Less - amount acquired by issuance of shares			(18,051)
Less - accrued acquisition costs			(3,008)
			$ 31,480

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

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

NOTE 1:- GENERAL

a. NICE Systems Ltd. ("NICE") and subsidiaries (collectively - "the Company") develop, market and support integrated, scalable multimedia digital recording platforms, enhanced software applications and related professional services. These solutions capture and analyze unstructured (non-transaction) data and convert it into actionable knowledge for business and security performance management applications. The Company's solutions capture multiple forms of interaction, including voice, fax, email, web chat, radio, and video transmissions over wire line, wireless, packet telephony, terrestrial trunk radio and data networks.

The Company's products are based on two types of recording platforms - audio and video - and are used primarily in contact centers, trading floors, public safety organizations, transportation, corporate security, gaming and correctional facilities, as well as various government and intelligence agencies.

The Company's products are sold primarily through a global network of distributors, system integrators and strategic partners; a portion of product sales and most services are sold directly to end-users.

The Company's markets are located primarily in North America, Europe and the Far East.

The Company depends on limited number of contract manufacturers for producing its products. If any of these manufacturers become unable or unwilling to continue to manufacture or fail to meet the quality or delivery requirements needed to satisfy its customers, it could result in the loss of sales, which could adversely affect the Company's results of operations and financial position.

The Company relies upon a number of independent distributors to market, sell and service its products in certain markets. If the Company is unable to effectively manage and maintain relationships with its distributors, or to enter into similar relationships with others, its ability to market and sell its products in certain markets will be affected. In addition, a loss of a major distributor, or any event negatively affecting such distributors' financial condition, could cause a material adverse effect on the Company's results of operations and financial position.

As for major customer data, see Note 16c.

b. Acquisition of Thales Contact Solutions:

In November 2002, the Company acquired certain assets and assumed certain liabilities of Thales Contacts Solutions ("TCS") for an aggregate consideration of $ 52,539 including the issuance of 2,187,500 American Depositary Shares ("ADSs") of NICE valued at $ 18,051. TCS is a developer of customer-facing technology for Public Safety, Wholesale Trading and Call Centers, based in the United Kingdom. The acquisition was accounted for by the purchase method and accordingly, the purchase price has been allocated according to the estimated fair value of the assets acquired and liabilities assumed of TCS. The value of the shares issued was determined based on the market price of NICE's shares on the acquisition date. The results of TCS's operations have been included in the consolidated financial statements since November 2, 2002 ("the closing date").

NOTE 1:- GENERAL (CONT.)

With the acquisition of TCS, the Company significantly expanded its customer base, presence in Europe, and its network of distributors and partners. Additionally, the Company broadened its product offerings and global professional services team.

Under the terms of the acquisition agreement ("the agreement"), contingent cash payments of up to $ 10,000 in 2003, $ 7,500 in 2004 and $ 7,500 in 2005 would be due if certain financial performance criteria are met as part of a three-year earn-out provision covering 2002 through 2004. The relevant criteria for 2002 were not met and therefore no contingent payment in respect of 2002 was recorded. Should any contingent payment be made under the agreement in the future, the additional consideration, when determinable, will increase the purchase price and accordingly additional goodwill will be recorded.

In the fourth quarter of 2002, the Company recorded a current liability of $ 2,800 and a long-term liability of $ 13,500 reflecting obligations under a long-term contract assumed by the Company in the TCS acquisition for which no future benefit exists. See also Note 12b(1).

Under the terms of the agreement, the initial cash portion of the purchase price was adjusted downward by $ 12,804 in respect of the actual net value of assets acquired and 2002 sales of TCS. This amount is presented on the balance sheet as related party receivables. As a result of the purchase price adjustment, the acquisition cost was reduced to $ 39,735.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

Trade receivables	$ 15,808
Other receivables and prepaid expenses	1,448
Inventories	6,776
Property and equipment	7,616
In-process research and development	1,270
Trademarks	1,040
Core technology	1,620
Distribution network	6,160
Maintenance contracts	500
Goodwill	26,682
Total assets acquired	68,920
Trade payables	(1,747)
Accrued expenses and other liabilities	(13,938)
Long-term liability	(13,500)
Total liabilities assumed	(29,185)
Net assets acquired	$ 39,735

NOTE 1:- GENERAL (CONT.)

The $ 1,270 assigned to in-process research and development was written off at the date of acquisition in accordance with FASB Interpretation ("FIN") No. 4, "Applicability of FASB Statement No. 2 to Business Combinations Accounted for by the Purchase Method".

The following represents the unaudited pro-forma condensed results of operations for the years ended December 31, 2001 and 2002, assuming that the acquisition occurred on January 1, 2001 and January 1, 2002, respectively. The pro-forma information is not necessarily indicative of the results of operations, which actually would have occurred if the acquisition had been consummated at the beginning of each year presented, nor does it purport to represent the results of operations for future periods.

	YEAR ENDED DECEMBER 31,	
	2001	2002
Revenues	$ 202,439	$ 214,002
Net loss	$ (61,846)	$ (53,821)
Basic and diluted net loss per share	$ (4.06)	$ (3.45)

The condensed results of operations of TCS are based on the financial statements of TCS for the year ended December 31, 2001 and on the results of operations of TCS for the period from January 1, 2002 to November 2, 2002 (the closing date), which were prepared by TCS's management and were submitted to the Company as part of the acquisition. The 2001 financial statements of TCS were prepared in conformity with U.S GAAP and were audited by TCS's independent auditors, who provided an unqualified opinion.

c. Acquisition of Stevens Communications Inc.

In December 2000, the Company acquired certain assets and assumed certain liabilities of Stevens Communications Inc. ("SCI") for an aggregate consideration of $ 18,931 including the issuance of up to 426,745 ADSs of NICE of which 186,818 ADSs were target shares contingent upon the achievement of certain objectives and events through 2002 and 38,914 ADSs are for the benefit of certain SCI's employees. The acquisition was accounted for by the purchase method and accordingly, the purchase price has been allocated according to the estimated fair value of the assets acquired and liabilities assumed of SCI.

SCI is a systems distributor, whose activities included the promotion, distribution, installation and maintenance of the Company's products in North America.

An amount of $ 24,162, out of the total acquisition cost, was attributed to goodwill and assembled work force.

In 2001, the Company entered into a final settlement agreement with SCI addressing a dispute with SCI regarding the fair value of SCI's working capital. The adjustments from the terms of the final settlement resulted in a one-time charge to other expense of $ 4,448 representing a lump-sum settlement of disputed items of $ 3,600 and obligations for future consulting services, which are no longer of value to the Company. In addition, the Company released from escrow the 186,818 ADS contingent target shares upon the achievement of the determined objectives and events and accordingly, recorded approximately $ 3 million to goodwill.

NOTE 1:- GENERAL (CONT.)

d. Acquisition of Centerpoint Solutions Inc.:

In April 2000, the Company acquired all of the outstanding capital stock of Centerpoint Solutions Inc. ("CPS") for a total consideration of $ 12,886 including the issuance of 200,000 ADSs of NICE of which 50,000 were deemed target shares ("the target shares") contingent upon the achievement of certain objectives. The acquisition was accounted for by the purchase method and accordingly, the purchase price has been allocated according to the estimated fair value of the assets acquired and liabilities assumed of CPS.

CPS is a developer of Internet-based applications for statistical monitoring, digital recording and automatic customer surveys for customer contact centers.

In connection with the CPS acquisition, the Company recorded in the second quarter of 2000, a one-time expense of $ 6,786 to write-off software acquired from CPS for which technological feasibility has not yet been established and for which no alternative future use exists. An amount of $ 5,395 out of the total acquisition cost was attributed to goodwill and other intangible assets.

On March 19, 2002, Mr. Chapiewski, a former shareholder of CPS, filed an action against the Company by complaint. In this complaint, Mr. Chapiewski alleged that the Company violated Sections 604(3) and 604(4) of the Colorado Securities Act, committed common law fraud and negligent misrepresentation, and breached representations and warranties in the agreement relating to the CPS acquisition, by misrepresenting to Mr. Chapiewski, either affirmatively or through omissions, the Company's financial results and value of securities. Mr. Chapiewski also claimed that NICE Centerpoint breached severance provisions of an employment agreement with him in the amount of $ 80. Mr. Chapiewski sought damages in an unspecified amount. On November 25, 2002 the Company settled the claim with Chapiewsky, without any admission of liability or wrongdoing on its part, for an amount of $ 3,000 and the release from escrow of the target shares valued at $ 469. The settlement agreement resulted in a one-time charge to other expenses of $ 3,469.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements were prepared in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP").

a. Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

b. Financial statements in United States dollars:

The currency of the primary economic environment in which the operations of NICE and its U.S subsidiary are conducted is the U.S. dollar ("dollar"); thus, the dollar is the reporting and functional currency of the Company.

The Company's transactions and balances denominated in dollars are represented at their original amounts. Non-dollar transactions and balances have been remeasured to dollars in accordance with Statement of Financial Accounting Standards ("SFAS") No. 52 "Foreign Currency Translation". All transaction gains and losses from remeasurement of monetary balance sheet items denominated in non-dollar currencies are reflected in the statements of operations as financial income or expenses, as appropriate.

For those subsidiaries whose functional currency has been determined to be their local currency, assets and liabilities are translated at year-end exchange rates and statement of operations items are translated at average exchange rates prevailing during the year. Such translation adjustments are recorded as a separate component of accumulated other comprehensive income (loss) in shareholders' equity.

c. Principles of consolidation:

Intercompany transactions and balances have been eliminated upon consolidation.

d. Cash equivalents:

The Company considers short-term unrestricted highly liquid investments that are readily converted into cash, originally purchased with maturities of three months or less to be cash equivalents.

e. Short-term bank deposits:

Bank deposits with maturities of more than three months but less than one year are included in short-term bank deposits. Such short-term bank deposits are stated at cost.

f. Marketable securities:

The Company accounts for investments in debt securities in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities".

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Management determines the appropriate classification of its investments in debt securities at the time of purchase and reevaluates such determinations at each balance sheet date. Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity and are stated at amortized cost. The amortized cost of held-to-maturity securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization, decline in value judged to be other than temporary, and interest are included in financial income or expenses, as appropriate.

g. Inventories:

Inventories are stated at the lower of cost or market value. The cost of raw materials and work-in-progress is determined by the "average cost" method, and the cost of finished goods - on the basis of computed manufacturing costs.

Inventory provisions are provided to cover risks arising from slow-moving items, technological obsolescence, excess inventories, discontinued products and for market prices lower than cost. Inventory provisions for 2000, 2001 and 2002 were $ 2,675, $ 3,400 and $ 1,650, respectively, and have been included in cost of revenues.

h. Investment in affiliates:

The investment in affiliated companies is stated at cost, since the Company does not have the ability to exercise significant influence over operating and financial policies of these investees.

The Company's investments in other companies are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an investment may not be recoverable, in accordance with Accounting Principle Board Opinion ("APB") No. 18 "The Equity Method of Accounting for Investments in Common Stock".

As of December 31, 2002 an impairment loss had been identified in the amount of $ 229.

i. Property and equipment, net:

Property and equipment are stated at cost, net of accumulated depreciation.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, at the following annual rates:

	%
Computers and peripheral equipment	33
Office furniture and equipment	6 - 15
Motor vehicles	15

Leasehold improvements are amortized by the straight-line method over the term of the lease or the estimated useful life of the improvements, whichever is shorter.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

j. Impairment of long-lived assets:

The Company's long-lived assets and certain identifiable intangibles are reviewed for impairment in accordance with SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. In 2002, no impairment losses have been identified.

k. Intangible assets:

Intangible assets subject to amortizations, which arose from acquisitions prior to July 1, 2001 are being amortized on a straight-line basis over their useful lives in accordance with APB No. 17 "Intangible Assets". Intangible assets acquired in a business combination on or after July 1, 2001, are amortized over their useful lives using a method of amortization that reflects the pattern in which the economic benefits of the intangible assets are consumed or otherwise used, in accordance with SFAS No. 142 "Goodwill and Other Intangible Assets".

In accordance with the requirement of SFAS No. 142, intangible assets deemed to have indefinite lives are no longer amortized after January 1, 2002. Under SFAS No. 142 the Company will perform an annual test for impairment of intangible assets with indefinite lives.

Amortization is calculated using the straight-line method over the estimated useful lives at the following annual rates:

	%
Capitalized software development costs (see o)	33
Distribution network	Indefinite
Core technology	17 - 33
Trademarks	17 - 50
Maintenance contracts	33
Other intangible assets	33

l. Goodwill

Goodwill represents the excess of the cost over the net assets of businesses acquired. Goodwill arising from acquisitions prior to July 1, 2001 was amortized until December 31, 2001 on a straight-line basis over 10 years. Under SFAS No. 142 goodwill acquired in a business combination consummated on or after July 1, 2001, is not amortized.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

SFAS No.142 requires goodwill be tested for impairment on adoption and at least annually thereafter or between annual tests in certain circumstances, and written down when impaired, rather than amortized as previous accounting standards required. Goodwill is tested for impairment by comparing the fair value of the reporting unit with its carrying value. Fair value is determined using discounted cash flows, market multiples and market capitalization. Significant estimates used in the fair value methodologies include estimates of future cash flows, future short-term and long-term growth rates, weighted average cost of capital and estimates of market multiples of the reportable unit. The Company performed the transitional impairment test during the first quarter of 2002, and did not recognize any impairment loss. The Company performed the annual impairment test during the fourth quarter of 2002, and recognized an impairment loss of $ 28,260.

m. Revenue recognition:

The Company generates revenues from sales of products, which include hardware and software, software licensing, fixed price contracts, professional services and maintenance.

The Company sells its products indirectly through resellers, integrators and distributors, all of whom are considered end-users, and through its direct sales force.

Revenues from product sales and software license agreements are recognized when all criteria outlined in Statement Of Position ("SOP") 97-2 "Software Revenue Recognition" (as amended) and Staff Accounting Bulletin ("SAB") No. 101 "Revenue Recognition in the Financial Statements" are met. Revenue from products and license fees is recognized when persuasive evidence of an agreement exists, delivery of the product has occurred, the fee is fixed or determinable, no further obligations exist and collectibility is probable. Sales agreements with specific acceptance terms are not recognized until the customer has confirmed that the product or service has been accepted.

Where software arrangements involve multiple elements, revenue is allocated to each element based on Vendor Specific Objective Evidence ("VSOE") of the relative fair values of each element in the arrangement, in accordance with the residual method. The Company's VSOE used to allocate the sales price to professional services and maintenance is based on the renewal price. Under the residual method, revenue is recognized for the delivered elements when (1) there is VSOE of the fair values of all the undelivered elements, and (2) all revenue recognition criteria of SOP 97-2, as amended, are satisfied. Under the residual method any discount in the arrangement is allocated to the delivered element.

The Company maintains a provision for product returns in accordance with SFAS No. 48 "Revenue Recognition When Right of Return Exists". The provision was estimated based on the Company's past experience and was deducted from revenues.

Trade receivables as of December 31, 2001 and 2002 are presented net of provision for product returns in the amounts of $ 2,455 and $ 2,311, respectively.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

The Company recognizes revenues from fixed price contracts that require significant customization, integration and installation based on SOP No. 81-1 "Accounting for Performance of Construction - Type and Certain Production - Type Contracts" using the percentage-of-completion method of accounting based on the value added and results achieved out of the completeness of the product as a whole. In order to verify the measure of the added value, the Company identifies elements or sub-components of those elements. Provisions for estimated losses on uncompleted contacts are made in the period in which such losses are determined. As of December 31, 2002, no such estimated losses were identified.

Revenues from maintenance and professional services are recognized ratably over the contractual period or as services are performed.

Deferred revenue includes advances and payments received from customers, for which revenue has not yet been recognized.

n. Warranty costs:

Provisions for warranty are made at the time revenues are recognized for estimated material costs during the warranty period based on the Company's experience.

o. Research and development costs:

Research and development costs (net of grants and participations) incurred in the process of software production before establishment of technological feasibility, are charged to expenses as incurred. Costs of the production of a product master incurred subsequent to the establishment of technological feasibility are capitalized according to the principles set forth in SFAS No. 86 "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed". Based on the Company's product development process, technological feasibility is established upon completion of a detailed program design or a working model.

Costs incurred by the Company between completion of the detailed program design or working model and the point at which the product is ready for general release have been capitalized.

Capitalized software development costs are amortized on a product-by-product basis commencing with general product release by the greater of the amount computed using the: (i) ratio that current gross revenues from sales of the software bear to the total of current and anticipated future gross revenues from sales of that software, or (ii) the straight-line method over the estimated useful life of the software product.

The Company assesses the recoverability of the unamortized capitalized cost on a regular basis by determining whether the amortization of the asset over its remaining life can be recovered through undiscounted future operating cash flows from the specific software product sold. Based on its most recent analyses, management believes that no impairment of capitalized software development costs exists as of December 31, 2002.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

p. Income taxes:

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes". This statement prescribes the use of the liability method whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value.

q. Government grants:

Non-royalty bearing grants from the Government of Israel for funding research and development projects are recognized at the time the Company is entitled to such grants on the basis of the related costs incurred and recorded as a reduction to research and development costs.

r. Concentrations of credit risk:

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, short-term bank deposits, trade and unbilled receivables, marketable securities and related party receivables.

The Company's cash and cash equivalents and short-term bank deposits are invested in deposits mainly in dollars with major international banks. Such deposits in the United States may be in excess of insured limits and are not insured in other jurisdictions. Management believes that the financial institutions that hold the Company's investments are financially sound and, accordingly, minimal credit risk exists with respect to these investments.

The Company's trade and unbilled receivables are derived from sales to customers located primarily in North America, Europe and the Far East. The Company performs ongoing credit evaluations of its customers and obtains letter of credit and bank guarantees for certain receivables. Additionally, the Company insures certain of its receivables with a credit insurance company. An allowance for doubtful accounts is provided with respect to specific debts that the Company has determined to be doubtful of collection and a general provision on the remaining balance.

The Company's marketable securities include investment in debentures of U.S. corporations. Management believes that those corporations are financially sound, the portfolio is well diversified, and accordingly, minimal credit risk exists with respect to those marketable securities.

Related party receivables are balances due from Thales SA. Management believes that minimal credit risk exists with respect to this balance.

The Company entered into forward contracts and option strategies (together: "derivative instruments") intended to protect against the increase in value of forecasted non-dollar currency cash flows. The derivative instruments effectively hedge the Company's non-dollar currency exposure (see Note 10).

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

s. Severance pay:

The Company's liability for severance pay for its Israeli employees is calculated pursuant to Israeli severance pay law based on the most recent salary of the employees multiplied by the number of years of employment as of the balance sheet date. Employees are entitled to one month's salary for each year of employment, or a portion thereof. The Company's liability is fully provided by monthly deposits with insurance policies, deposits with severance pay funds and by an accrual.

The deposited funds include profits accumulated up to the balance sheet date. The deposited funds may be withdrawn only upon the fulfillment of the obligation pursuant to Israeli severance pay law or labor agreements. The value of the deposited funds is based on the cash surrendered value of these policies and includes immaterial profits.

Severance pay expense for 2000, 2001 and 2002, was $ 1,255, $ 2,428 and $ 2,003, respectively.

t. Basic and diluted net loss per share:

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

All outstanding stock options and warrants have been excluded from the calculation of the diluted net loss per share because all such securities are anti-dilutive for all periods presented. The total weighted average number of shares related to the outstanding options and warrants excluded from the calculations of diluted net loss per share was 3,583,149, 4,929,910 and 5,315,170 for the years ended December 31, 2000, 2001 and 2002, respectively.

u. Stock-based compensation:

The Company has elected to follow APB No. 25, "Accounting for Stock Issued to Employees" and FIN No. 44 "Accounting for Certain Transactions Involving Stock Compensation" in accounting for its employee stock option plan. Under APB No. 25, when the exercise price of the Company's options is less than the market value of the underlying shares on the date of grant, compensation expense is recognized and amortized over the vesting period. The pro forma information with respect to the fair value of the options is provided in accordance with the provisions of SFAS No. 123 "Accounting for Stock-based Compensation".

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock Based Compensation - Transition and Disclosure - an amendment of SFAS No. 123". SFAS No. 148 permits two additional transition methods for entities that adopt the fair value based method of accounting for stock-based employee compensation. The transition guidance and annual disclosure provisions of SFAS No. 148 are effective for fiscal years ending after December 15, 2002, with earlier application permitted in certain circumstances. The interim disclosure provisions are effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. As at the balance sheet date, the Company continues to apply APB No. 25.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Pro forma information regarding net income (loss) and net earnings (loss) per share is required by SFAS No. 123, and has been determined as if the Company had accounted for its employee options under the fair value method prescribed by that statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 2000, 2001 and 2002: risk-free interest rates of 6%, 4.3% and 1.7%, respectively dividend yields of 0%, 0% and 0%, respectively volatility factors of the expected market price of the Company's Ordinary shares of 0.821, 0.506 and 0.827, respectively, and a weighted average expected life of the option of 3.5, 4.3 and 4.3 years, respectively.

Pro forma information under SFAS No. 123:

	YEAR ENDED DECEMBER 31,		
	2000	2001	2002
Net loss as reported	$ (5,319)	$ (46,795)	$ (33,982)
Add: Stock based compensation expense included in the determination of net loss as reported	128	23	12
Deduct: Stock based compensation expense determined under fair value method for all awards	(43,972)	(31,636)	(18,467)
Pro forma net loss	$ (49,163)	$ (78,408)	$ (52,437)
Basic and diluted net loss per share as reported	$ (0.43)	$ (3.59)	$ (2.46)
Pro forma basic and diluted net loss per share	$ (3.97)	$ (6.01)	$ (3.80)

v. Fair value of financial instruments:

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

The carrying amount reported in the balance sheet for cash and cash equivalents, short-term bank deposits, trade and unbilled receivables, related party receivables, short-term bank credit and trade payables approximates their fair value due to the short-term maturities of such instruments.

The fair value for marketable U.S. corporate securities is based on quoted market prices and does not differ significantly from the carrying amount (see Note 3).

The fair value of other long-term liabilities is estimated by discounting the future cash flows using the current interest rate for liabilities of similar terms and maturities. The fair value of other long-term liabilities, which carrying amount as of December 31, 2002 was $ 13,500, is approximated to $ 12,400.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

w. Advertising expenses:

Advertising expenses are charged to expense as incurred (see Note 17d).

x. Derivatives and hedging activities:

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" requires the Company to recognize all of its derivative instruments as either assets or liabilities on the balance sheet at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge or a hedge of a net investment in a foreign operation.

For derivative instruments that are designated and qualify as a fair value hedge (i.e., hedging the exposure to changes in the fair value of an asset or a liability or an identified portion thereof that is attributable to a particular risk), the gain or loss on the derivative instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in the same line item associated with the hedged item in current earnings during the period of the change in fair values. For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same line item associated with the hedged transaction in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item, if any, is recognized in financial income/expense in current earnings during the period of change.

For derivative instruments not designated as hedging instruments, the gain or loss is recognized in financial income/expense in current earnings during the period of change.

y. Impact of recently issued accounting standards:

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", which addresses significant issue regarding the recognition, measurement, and reporting of costs associated with exit and disposal activities, including restructuring activities. SFAS No. 146 requires that costs associated with exit or disposal activities be recognized when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS No. 146 is effective for all exit or disposal activities initiated after December 31, 2002. The Company elected early adoption of SFAS No. 146.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

z. Reclassification:

Certain amounts from prior years have been reclassified to conform to the current year's presentation. The reclassification had no effect on previously reported net loss, shareholder's equity or cash flows.

NOTE 3:- MARKETABLE SECURITIES

	AMORTIZED COST		GROSS UNREALIZED GAINS		GROSS UNREALIZED LOSSES		ESTIMATED FAIR VALUE	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2001	2002	2001	2002	2001	2002	2001	2002
U.S. corporate debentures	$ 63,446	$ 49,100	$ 988	$ 330	$ 314	$ 309	$ 64,120	$ 49,121

As of December 31, 2001 and 2002, all the Company's securities were classified as held-to-maturity.

In 2000 and 2001 the Company did not sell any securities prior to their maturity and accordingly did not realize any gains or losses on held-to-maturity securities in these years.

In 2002, the Company sold one security, which was classified as held-to-maturity, due to a rating decrease, and accordingly recorded a loss of $ 55.

The scheduled maturities of held-to-maturity securities at December 31, 2002, are as follows:

	AMORTIZED COST	ESTIMATED FAIR VALUE
HELD-TO-MATURITY:		
Due within one year	$ 33,853	$ 33,616
Due after one year through five years	15,247	15,505
	$ 49,100	$ 49,121

NOTE 4:- OTHER RECEIVABLES AND PREPAID EXPENSES

	DECEMBER 31,	
	2001	2002
Government authorities	$ 2,475	$ 4,010
Interest receivable	637	301
Prepaid expenses	1,243	2,694
Other	1,110	1,229
	$ 5,465	$ 8,234

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

NOTE 5:- INVENTORIES

	DECEMBER 31,	
	2001	2002
Raw materials	$ 6,995	$ 4,880
Work-in-progress	843	535
Finished goods	3,219	8,065
	$ 11,057	$ 13,480

NOTE 6:- PROPERTY AND EQUIPMENT, NET

	2001	2002
Cost:		
Computers and peripheral equipment	$ 34,373	$ 40,828
Office furniture and equipment	6,362	12,017
Motor vehicles	2,853	1,570
Leasehold improvements	3,335	3,567
	46,923	57,982
Accumulated depreciation:		
Computers and peripheral equipment	20,711	28,830
Office furniture and equipment	1,975	2,941
Motor vehicles	1,242	792
Leasehold improvements	884	1,074
	24,812	33,637
Depreciated cost	$ 22,111	$ 24,345

Depreciation expense totaled $ 8,101, $ 8,044 and $ 10,192 for the years ended December 31, 2000, 2001 and 2002, respectively.

As for pledges, see Note 12c.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

NOTE 7:- INTANGIBLE ASSETS, NET

a. Intangible assets

	DECEMBER 31,	
	2001	2002
Original amounts:		
Capitalized software development costs	$ 16,078	$ 20,687
Core technology	2,189	4,419
Trademarks	-	1,040
Maintenance contracts	-	510
Other intangible assets	1,498	279
	19,765	26,935
Accumulated amortization:		
Capitalized software development costs	5,868	10,174
Core technology	1,217	2,219
Trademarks	-	58
Maintenance contracts	-	28
Other intangible assets	780	253
	7,865	12,732
Amortized cost	11,900	14,203
Distribution network	-	6,280
Total intangible assets	$ 11,900	$ 20,483

b. Amortization expense amounted to $ 2,954, $ 4,278 and $ 5,473 for the years ended December 31, 2000, 2001 and 2002, respectively.

c. Estimated amortization expense for the years ended:

	DECEMBER 31,
2003	$ 6,344
2004	4,820
2005	2,258
2006	436
2007 and thereafter	345
	$ 14,203

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

NOTE 8:- GOODWILL

The changes in the carrying amount of goodwill for the year ended December 31, 2002 are as follows:

Balance as of January 1, 2002	*) $ 28,813
Goodwill acquired during the year	26,682
Impairment losses	(28,260)
Foreign currency translation adjustments and other	182
Balance as of December 31, 2002	$ 27,417

*) Includes an amount of $ 613 of assembled workforce that was classified as goodwill effective January 1, 2002.

The unaudited results of operations presented below for the three years ended December 31, 2000, 2001 and 2002, respectively, reflect the impact on results of operations had the Company adopted the non-amortization provisions of SFAS No. 142 effective January 1, 2000:

	YEAR ENDED DECEMBER 31,		
	2000	2001	2002
Reported net loss	$ (5,319)	$ (46,795)	$ (33,982)
Goodwill amortization	670	2,944	-
Adjusted net loss	$ (4,649)	$ (43,851)	$ (33,982)
Basic and diluted net loss per share:			
Reported net loss	$ (0.43)	$ (3.59)	$ (2.46)
Goodwill amortization	0.05	0.23	-
Adjusted basic and diluted net loss per share	$ (0.38)	$ (3.36)	$ (2.46)

NOTE 9:- ACCRUED EXPENSES AND OTHER LIABILITIES

	DECEMBER 31,	
	2001	2002
Employees and payroll accruals	$ 8,445	$ 9,249
Accrued expenses	9,001	23,694
Restructuring accrual	2,444	406
Deferred revenues	5,013	10,728
Other	411	1,782
	$ 25,314	$ 45,859

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

NOTE 10:- DERIVATIVE INSTRUMENTS

To protect against changes in the value of forecasted foreign currency cash flows, the Company has instituted a foreign currency cash flow hedging program. The Company hedges portions of its forecasted cash flows denominated in foreign currencies with forward contracts and option strategies (together: "derivative instruments").

During 2001 and 2002, the Company entered into derivative instruments to hedge portions of the anticipated New Israeli Shekel ("NIS") payroll payments. These derivative instruments are designated as cash flows hedges, as defined by SFAS No. 133, as amended, and are all highly effective as hedges of these expenses when the salary is recorded. The effective portion of the hedged instruments is included in payroll expenses in the statements of operations.

In addition, the Company entered into forward foreign exchange contracts to hedge certain trade and unbilled receivables, trade payable payments and expected payments under a fixed price contract denominated in foreign currency. The purpose of the Company's foreign currency hedging activities is to protect the Company from changes in the foreign currency exchange rate to the dollar.

At December 31, 2002, the Company expects to reclassify $ 11 of net losses on derivative instruments from accumulated other comprehensive income to earnings during the next twelve months.

NOTE 11:- RESTRUCTURING EXPENSES

As part of the Company's strategic plan to address the changing business dynamics in the markets for its products and offerings, the Company recorded a restructuring charge in the amount of $ 14,554 in the first quarter of 2001, in accordance with EITF 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs in a Restructuring)" and SAB No. 100 "Restructuring and Impairment Charges". The restructuring consisted of a series of actions to improve the Company's long-term strategic opportunity including a reduction of 30% of the workforce (approximately 340 employees), consolidation of functions, the closing of certain facilities (mainly in the U.S.), and the disposal of assets that were no longer required due to the change in strategic direction. In addition, goodwill impairment was recognized for the effect of discontinuing a certain product line, which was acquired in the 1997 Dees transaction.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

NOTE 11:- RESTRUCTURING EXPENSES (CONT.)

Following the acquisition of TCS, the Company identified an opportunity to increase flexibility and focus, improve responsiveness and reduce unnecessary overhead. In December 2002, the Company adopted a plan to achieve these objectives, which involves the phased reduction of approximately 140 of the initially combined 1,077 staff and consolidation of certain field offices. The Company expects to incur a total cost of $ 3,000 in connection with this plan. The Company elected early adoption of SFAS No. 146 "Accounting for Costs Associated with Exit or Disposal Activities". SFAS No. 146 requires that a liability for a cost that is associated with an exit activity be recognized only when the liability is incurred. It supersedes the guidance in EITF 94-3. In SFAS No. 146, an entity's commitment to a plan does not, by itself, create a present obligation to other parties that meets the definition of a liability. Additionally, SFAS No. 146 establishes that fair value is the objective for the initial measurement of the liability. Accordingly, the liability related to the involuntary reductions that were effected in December 2002 of $ 282 was included in the Company's balance sheet. The remaining reductions in force are planned to be implemented over the first three quarters of 2003 and will be recognized as incurred.

At December 31, 2002, a total amount of $ 406 is included in accrued expenses and other liabilities. The major components of the fiscal 2001 and 2002 restructuring costs are as follows:

	EMPLOYEE TERMINATION BENEFITS	FACILITY CLOSURE	LOSS ON DISPOSAL OF PROPERTY AND EQUIPMENT	GOODWILL IMPAIRMENT	TOTAL CHARGE
2001 PLAN:					
Original provision	$ 9,564	$ 1,928	$ 1,946	$ 1,116	$ 14,554
Utilized:					
Cash	(7,997)	(1,051)	-	-	(9,048)
Non-cash	-	-	(1,946)	(1,116)	(3,062)
Balance as of December 31, 2001	1,567	877	-	-	2,444
Utilized:					
Cash	(1,043)	(877)	-	-	(1,920)
Non-cash	-	-	-	-	-
Additional restructuring expenses (reversal of over accrued amounts)	(524)	124	-	-	(400)
Balance as of December 31, 2002	-	124	-	-	124
2002 PLAN:					
Original provision	282	-	-	-	282
Balance as of December 31, 2002	282	-	-	-	282
2001 and 2002 plans as of December 31, 2002	$ 282	$ 124	$ -	$ -	$ 406

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

NOTE 12:- COMMITMENTS AND CONTINGENT LIABILITIES

a. Lease commitments:

The Company leases various office space, office equipment and motor vehicles under operating leases.

1. The Company's office space and office equipment are rented under several operating leases.

Future minimum lease commitments under non-cancelable operating leases for the years ended December 31, are as follows:

2003	$ 5,358
2004	2,685
2005	2,485
2006	1,267
2007 and thereafter	597
	$ 12,392

Rent expense for the years ended December 31, 2000, 2001 and 2002, was approximately $ 4,011, $ 5,190 and $ 5,761, respectively.

2. The Company leases its motor vehicles under cancelable operating lease agreements for periods through 2003.

The minimum payment under these operating leases, upon cancellation of these lease agreements, amounted to $ 1,268 as of December 31, 2002.

Lease expenses for the years ended December 31, 2000, 2001 and 2002, were $ 70, $ 1,677 and $ 1,616, respectively.

b. Other commitments:

1. During 2002 the Company completed a contract manufacturing agreement with a third party contractor ("the contractor"). Under the manufacturing agreement ("the agreement"), the contractor provides the Company with a turnkey manufacturing solution for all of its products. The Company is liable under the agreement to purchase above a certain level specified in the agreement, which is based on historical level of orders to the contractor, excess raw material and subassembly inventories deemed obsolete or slow moving. As of December 31, 2002 there were no such obsolete or slow moving inventories.

In addition, the Company assumed an outsourcing manufacturing agreement in the acquisition of TCS (see also Note 1b). The minimum payments under this non-cancelable manufacturing agreement for which future benefit exists for the years ended December 31, are as follows:

2003	$ 3,109
2004	2,104
2005	1,448
2006	515
	$ 7,176

NOTE 12:- COMMITMENTS AND CONTINGENT LIABILITIES (CONT.)

2. The company is committed under non-cancelable services agreements to pay minimum payments to its suppliers. The minimum payments under these services agreements for the years ended December 31, are as follows:

2003	$ 2,798
2004	2,513
2005	2,513
2006	94
	$ 7,918

c. Security interests and pledges:

The Company provided a guarantee in the amount of $ 52 to the Israeli Chamber of Commerce and Industry to secure the return of equipment shipped abroad; in the amount of $ 1,133 in respect of liability for projects in progress; in the amount of $ 1,901 for the performance of projects for customers who made advance payments in respect of said projects and in the amount of $ 257 to the Ministry of Finance of Belgium in respect of VAT registration. The Company also provided a guarantee in the amount of $ 34 in respect of premises leased in France, $ 35 in respect of warranty of its products, $ 330 in respect of bids and $ 36 in respect of customs.

d. Legal proceedings

1. In June 2000, Dictaphone Corporation, one of the Company's competitors, filed a patent infringement claim relating to certain technology embedded in some of the Company's products. The claim is for damages for past infringement and enjoinment of any continued infringement of Dictaphone patents. In the court's discretion, the damages may be trebled and attorney fees awarded. As a result the Company might be forced to pay significant damages and licensing fees, modify its business practices or even be enjoined from conducting a significant part of its U.S. business. Any such results could materially harm the Company's business. The Company believes, however, that it has a valid defense to this claim and is vigorously defending it. The Company has received notification from its insurance company indicating that the claim is not covered by the Company's insurance policy; however, the insurance company has agreed to reimburse for all legal expenses that the Company is expending in defense of the claim while reserving its final decision on this matter until the final outcome of the litigation. The discovery period is closed, dispositive motions have been filed with the Court, and the Company is awaiting the Court's decisions on these motions as well as scheduling for trial.

2. On February 8, 2001, the trading price of the Company's securities dropped, following the Company's announcements that, among other things, the Company would be restating its revenue for fiscal year 1999 and the first three quarters of 2000 and that the Company was revising downward its revenue estimates for the final quarter of 2000. Thereafter, various plaintiffs filed in the United States District Court for the District of New Jersey fourteen putative class action securities lawsuits against the Company and several of its present or former officers and directors. The first of these actions was commenced on February 13, 2001. All of the actions have been allocated to the Newark vicinage of the District of New Jersey, and all have been assigned to the Hon. Joseph A. Greenaway, Jr., U.S.D.J.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

NOTE 12:- COMMITMENTS AND CONTINGENT LIABILITIES (CONT.)

The complaint in each action alleges that the Company and the individual defendants violated Section 10(b) of the Exchange Act, 15 U.S.C. ss. 78j(b), and Rule 10b-5 promulgated there under. The plaintiffs also attempt to state a "control person" claim against several of the individual defendants under Section 20(a) of the Exchange Act, 15 U.S.C. ss. 78t(a). While there are differences among the fourteen complaints, the plaintiffs essentially contend that the Company and the individual defendants misrepresented to investors, either affirmatively or through omissions, the Company's financial results and the value of its securities. The plaintiffs seek damages in an unspecified amount. The plaintiffs in each such action seek to represent a class of investors in the Company's securities throughout a specified period, approximately from February 2000 to February 2001.

On April 11, 2001, the Company and several of the individual defendants successfully moved to consolidate the various actions under the caption "In re: Nice Systems Ltd. Securities Litigation," Master File No. 01-CV-00737 (JAG), and to establish a schedule for the filing by plaintiffs of an amended consolidated complaint and the Company and the individual defendants' response to such complaint.

By Order dated May 21, 2001, a group of plaintiffs were appointed "lead plaintiffs" pursuant to the Private Securities Litigation Reform Act of 1995, 15 U.S.C. ss. 78u-4(a)(3)(B). On August 20, 2001, the Lead Plaintiffs filed and served a Consolidated Amended Class Action Complaint, purporting to bring their securities claims on behalf of a class of persons who purchased the Company's ADSs between November 3, 1999, and February 7, 2001. On October 22, 2001, the Company and the individual defendants moved to dismiss the consolidated complaint in its entirety, for failure to state a claim upon which relief could be granted, for failure to plead fraud with the requisite particularity and on grounds of forum non conveniens in favor of proceedings in Israel. Briefing on that motion was completed on December 27, 2001.

Before that motion was decided by the Court, the parties to the litigation entered into a settlement of the claim, without any admission of liability or wrongdoing on the Company's part, in the amount of $ 10,000 dollars, including attorneys' fees. The Company received the funds for this settlement through its directors and officers' insurance policy.

Because the action was brought as a class action, the settlement was subject to court approval. By Order dated April 7, 2003, the settlement was approved by the United States District Court for the District of New Jersey, over the objections of two shareholders. On April 30, 2003, one of those shareholders, James J. Hayes, appealed from that Order to the United Stated Court of Appeals for the Third Circuit.

NOTE 13:- CREDIT LINES

As of December 31, 2002, the Company had authorized credit lines from banks in the amount of $ 47,000. When utilized, the credit lines will be denominated in dollars and will bear interest at the rate of up to LIBOR + 1.6%. An amount of $ 22,000 out of the total credit lines is secured by the Company's marketable securities. There are no financial covenants associated with these credit lines. As of December 31, 2002, $2,200 were used for bank guarantees.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

NOTE 14:- TAXES ON INCOME

a. Measurement of taxable income:

Results for tax purposes are measured in real terms, in accordance with the changes in the Israeli Consumer Price Index, or changes in the exchange rate of the NIS against the dollar, for a "foreign investors" company. Until taxable year 2001, NICE measured its results for tax purposes in accordance with changes in the Israeli consumer price index. Commencing with taxable year 2002, NICE has elected to measure its results for tax purposes on the basis of the changes in the exchange rate of NIS against the dollar. This election obligates NICE for three years.

b. Tax benefits under the Israel Law for the Encouragement of Capital Investments, 1959 ("the Law"):

Certain production facilities of NICE have been granted the status of "Approved Enterprise" under the Law, in four separate investment programs.

According to the provisions of the Law, NICE elected the "alternative benefits" and has waived government grants in return for a tax exemption.

Income derived from the first program is tax-exempt for a period of four years, commencing 1999, and will be taxed at the reduced corporate tax rate of 10%-25% (based on the percentage of foreign ownership in each taxable year) for an additional period of six years.

Income derived from the second program is tax-exempt for a period of four years, commencing 1997, and will be taxed at the reduced corporate tax rate of 10%-25% (based on the percentage of foreign ownership in each taxable year) for an additional period of six years.

Income derived from the third and fourth programs will be tax-exempt for a period of two years, commencing with the year the Company first earns taxable income, and will be taxed at the reduced corporate tax rate of 10%-25% (based on the percentage of foreign ownership in each taxable year) for an additional period of eight years.

In December 2002, the Company filed an application for a fifth "Approved Enterprise" investment program for its facilities in Israel. To date, the Company has not received a notice of approval for this fifth program.

The period of tax benefits detailed above, is subject to limits of the earlier of 12 years from the commencement of production or 14 years from receiving the approval.

The Law also entitles NICE to claim accelerated depreciation on equipment used by the "Approved Enterprise" during five tax years.

The entitlement to the above benefits is conditional upon NICE's fulfilling the conditions stipulated by the above Law, regulations published hereunder and the instruments of approval for the specific investments in an "Approved Enterprise". In the event of failure to comply with these conditions, the benefits may be canceled and the Company may be required to refund the amount of the benefits, in whole or in part, including interest. As of December 31, 2002 the Company is in compliance with all the conditions required by the law.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

NOTE 14:- TAXES ON INCOME (CONT.)

The tax-exempt income attributable to the "Approved Enterprise" can be distributed to shareholders without subjecting NICE to taxes only upon the complete liquidation of NICE. As of December 31, 2002, approximately $ 16,029 was derived from tax-exempt profits earned by NICE's "Approved Enterprise". NICE has decided not to declare dividends out of such tax-exempt income. Accordingly, no deferred income taxes have been provided on income attributable to NICE's "Approved Enterprises".

If the net retained tax exempt income is distributed in a manner other than in the complete liquidation of NICE, it would be taxed at the corporate tax rate applicable to such profits as if NICE had not elected the alternative tax benefits (currently - 20% of the gross distributed amount) and an income tax liability would be incurred of approximately $ 4,007 as of December 31, 2002.

Income from sources other than the "Approved Enterprise" during the period of benefits will be taxable at the regular corporate tax rate of 36%.

c. Tax benefits under the Israeli Law for the Encouragement of Industry (Taxation), 1969:

NICE is an industrial company under the above law and as such is entitled to certain tax benefits including accelerated depreciation, deduction of public offering expenses in three equal annual installments and amortization of other intangible property rights as a deduction for tax purposes.

d. Net operating loss carryforward:

As of December 31, 2002, the Company had carryforward tax losses totaling approximately $ 69,752, most of which can be carried forward and offset against taxable income indefinitely. The remaining carryforward tax losses can be carried forward and offset against taxable income with expiration dates from 2003 to 2021. Utilization of U.S. net operating losses may be subject to the substantial annual limitation due to the "change in ownership" provisions of the Internal Revenue Code of 1986 and similar state provisions. The annual limitation may result in the expiration of net operating losses before utilization.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

NOTE 14:- TAXES ON INCOME (CONT.)

e. Deferred income taxes:

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets are as follows:

	DECEMBER 31,	
	2001	2002
Net operating loss carryforward	$ 11,954	$ 10,994
Reserves and allowances	3,320	3,787
Net deferred tax asset before valuation allowance	15,274	14,781
Valuation allowance	(15,274)	(14,781)
Net deferred tax asset	$ -	$ -

The Company has provided valuation allowances in respect of deferred tax assets resulting from tax loss carryforwards, due to its history of operating losses and current uncertainty concerning its ability to realize these deferred tax assets in the future.

f. A reconciliation between the theoretical tax expense, assuming all income is taxed at the statutory tax rate applicable to income of the Company, and the actual tax expense as reported in the consolidated statements of operations, is as follows:

	YEAR ENDED DECEMBER 31,		
	2000	2001	2002
Loss before taxes on income, as reported in the consolidated statements of operations	$ (5,046)	$ (46,597)	$ (33,632)
Statutory tax rate in Israel	36%	36%	36%
Theoretical income tax benefit	$ (1,817)	$ (16,775)	$ (12,108)
Losses and other items for which a valuation allowance was provided	2,456	12,837	2,725
Non-deductible acquisition-related costs	2,761	338	11,201
Tax exempt interest income	(2,117)	(1,554)	(1,145)
Utilization of net operating losses for which a valuation allowance was provided	-	-	(676)
Non-deductible expenses	244	257	407
Increase (decrease) from difference between Israeli currency income and US dollar income	(1,159)	5,031	-
Other	(95)	64	(54)
Actual tax expense	$ 273	$ 198	$ 350

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

NOTE 14:- TAXES ON INCOME (CONT.)

g. Loss before taxes on income is comprised as follows:

	YEAR ENDED DECEMBER 31,		
	2000	2001	2002
Domestic	$ 2,740	$ (31,057)	$ (32,673)
Foreign	(7,786)	(15,540)	(959)
	$ (5,046)	$ (46,597)	$ (33,632)

h. The provision for income taxes is comprised as follows:

	2000	2001	2002
Current taxes	$ 273	$ 198	$ 350
Domestic	$ 90	$ 100	$ 126
Foreign	183	98	224
	$ 273	$ 198	$ 350

i. Israeli tax reform:

On January 1, 2003, a comprehensive tax reform took effect in Israel. Pursuant to the reform, resident companies are subject to Israeli tax on income accrued or derived in Israel or abroad.

In addition, the concept of "controlled foreign corporation" was introduced, according to which an Israeli company may become subject to Israeli taxes on certain income of a non-Israeli subsidiary if the subsidiary's primary source of income is passive income (such as interest, dividends, royalties, rental income or capital gains). The tax reform also substantially changed the system of taxation of capital gains.

NOTE 15:- SHAREHOLDERS' EQUITY

a. The Ordinary shares of the Company are traded on the Tel Aviv Stock Exchange and its ADSs are traded on NASDAQ.

In April 2000, the Company issued 150,000 ADSs to the sole shareholder of CPS as part of the consideration for the acquired shares of CPS (See Note 1d).

In December 2000, the Company issued 220,523 ADSs of NICE as part of the consideration for the acquisition of certain assets and liabilities of SCI (See Note 1c).

In December 2001, the Company issued 186,818 ADSs of NICE as part of a settlement agreement with SCI (See Note 1c).

In November 2002, the Company issued 2,187,500 ADSs as part of the consideration in the acquisition of certain assets and liabilities of TCS (See Note 1b).

In November 2002, the Company released from escrow 50,000 ADSs of NICE as part of the settlement agreement with Mr. Chapiewsky (See Note 1d).

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

NOTE 15:- SHAREHOLDERS' EQUITY (CONT.)

b. Share option plans:

In 1995, the Company adopted an employee share option plan (the "1995 Option Plan"). Under the 1995 option plan, employees and officers of the Company may be granted options to acquire Ordinary shares. The options to acquire Ordinary shares, which may be determined by the Board of Directors of the Company, are granted at an exercise price, subject to certain exceptions, of not less than the fair market value of the Ordinary shares on the grant date. 8,310,566 of the 1995 options were granted at an exercise price of not less than the fair market value of the Ordinary shares at the date of grant.

The options generally vest gradually over a four-year period from the date of grant. As of February 15, 2000, the Board of Directors of the Company adopted a resolution amending the exercise terms for any option to be granted subsequent to February 15, 2000 under the 1995 Option Plan whereby 25% of the stock options granted become exercisable on the first anniversary of the date of grant and 6.25% become exercisable once every quarter during the subsequent three years. The options expire no later than 6 years from the date of grant.

In 1996, the Company adopted the 1997 Executive Share Option Plan (the "1997 Option Plan"). Under the terms of the 1997 Option Plan, stock options will be exercisable during a 60-day period ending four years after grant. The plan met the definition of Time Accelerated Restricted Stock Award Options ("TARSAP"). The TARSAP includes an acceleration feature based on the following: if the year-end earnings per share of the Company shall reach certain defined targets, 40% of such stock options shall become exercisable; if earnings per share shall reach certain higher defined targets, an additional 30% of such stock options shall become exercisable; and if earnings per share shall reach certain higher defined targets, an additional 30% of such stock options shall become exercisable, provided that with respect to all of the above-referenced periods, the operating profit of the Company shall not be less than 10% of revenues and earnings per share shall exclude any non-recurring expenses related to mergers and acquisitions. Notwithstanding the foregoing, none of the stock options shall be exercisable before the expiration of two years from the date of issuance. 950,000 of the 1997 options were granted at an exercise price of not less than the fair market value of the Ordinary shares at the date of grant. As of December 31, 2002, none of the targets specified under the TARSAP were met and accordingly there was no acceleration of options.

In 2001, the Company adopted the 2001 Stock Option Plan (the "2001 Option Plan"). The options to acquire Ordinary shares, which may be determined by the Board of Directors of the Company, are granted at an exercise price, of not less than the fair market value of the Ordinary shares on the grant date. 2,959,750 of the 2001 options were granted at an exercise price of not less than the fair market value of the Ordinary shares at the date of grant. Under the terms of the 2001 Plan, a third of the stock options granted became exercisable ten months after the grant date and the remaining two thirds will become exercisable on the first and second anniversaries of the first date of exercise so long as the grantee is, subject to certain exceptions, employed by the Company at the date the stock option becomes exercisable. The third portion of the Options may be exercised at the end of the second year following the first date of exercise, if the Company meets a pre-tax profit target of 20%, as determined by the Board of Directors and at its discretion. Unless otherwise determined by the Company's Board of Directors as of the date of grant, the stock options expire six years after the date of grant.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

NOTE 15:- SHAREHOLDERS' EQUITY (CONT.)

In 2001, the Company adopted the 2001 Stock Option Plan for Transitional Employees (the "2001 Transitional Employees Plan") for the terminated employees as part of the restructuring plan (See Note 11). The options to acquire Ordinary shares, which may be determined by the Board of Directors of the Company, are granted at an exercise price, of not less than the fair market value of the Ordinary shares on the grant date. 96,800 of the 2001 transitional employees options were granted at an exercise price of not less than the fair market value of the Ordinary shares at the date of grant. Under the terms of the 2001 Transitional Employees Plan, each share option granted generally becomes exercisable upon the optionee's termination of employment in accordance with the optionee's termination agreement with the Company and will remain exercisable until the first to occur of the date which is six months following the date of such termination and the expiration of the share option's term. Unless otherwise determined by the Board of Directors as of the date of grant, the stock options expired on December 31, 2002.

A summary of the Company's stock options activity and related information for the years ended December 31, 2000, 2001 and 2002, is as follows:

	2000		2001		2002	
	NUMBER OF OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at the beginning of the year	3,036,591	$ 26.37	4,463,523	$ 50.58	6,408,825	$ 29.31
Granted	3,116,200	$ 69.48	4,030,700	$ 12.62	981,000	$ 11.49
Exercised	(615,643)	$ 21.79	(33,809)	$ 11.61	(60,830)	$ 12.10
Forfeited	(981,125)	$ 51.83	(2,051,589)	$ 43.08	(1,363,015)	$ 32.87
Cancelled	(92,500)	$ 70.88	-	$ -	-	$ -
Outstanding at the end of the year	4,463,523	$ 50.58	6,408,825	$ 29.31	5,965,980	$ 25.74
Exercisable at the end of the year	307,744	$ 27.45	1,393,959	$ 46.25	2,373,039	$ 34.46

The options outstanding as of December 31, 2002, have been separated into exercise price categories as follows:

RANGES OF EXERCISE PRICE	OPTIONS OUTSTANDING AS OF DECEMBER 31, 2002	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS EXERCISABLE AS OF DECEMBER 31, 2002	WEIGHTED AVERAGE EXERCISE PRICE OF OPTIONS EXERCISABLE
$		(YEARS)	$		$
7.83 - 11.14	656,500	5.63	10.09	52,500	10.95
12.00 - 16.81	3,355,494	4.55	12.81	970,937	12.69
21.38 - 30.13	508,194	1.77	23.06	427,319	23.07
40.94 - 55.5	637,280	3.47	51.02	389,530	50.19
64.88 -76.25	808,512	3.28	73.88	532,753	74.09
	5,965,980	4.14	25.74	2,373,039	34.46

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

NOTE 15:- SHAREHOLDERS' EQUITY (CONT.)

When the Company has recorded deferred stock compensation for options issued with an exercise price below the fair value of the Ordinary shares, the deferred compensation is amortized and recorded as compensation expense ratably over the vesting period of the options.

Weighted average fair values and weighted average exercise prices of options whose exercise price is equal, less or higher than the market price of the shares at date of grant are as follows:

	WEIGHTED AVERAGE FAIR VALUE OF OPTIONS GRANTED AT AN EXERCISE PRICE			WEIGHTED AVERAGE EXERCISE PRICE OF OPTIONS GRANTED AT AN EXERCISE PRICE		
	YEAR ENDED DECEMBER 31,					
	2000	2001	2002	2000	2001	2002
Less than fair value at date of grant	$ 55.11	$ -	$ -	$ 22.707	$ -	$ -
Equal to fair value at date of grant	$ 38.93	$ 5.66	$ 8.03	$ 69.042	$ 12.664	$ 12.991
Higher than fair value at date of grant	$ -	$ -	$ 5.19	$ -	$ -	$ 10.507

c. Employee Stock Purchase Plan:

In February 1999, the Company's Board of Directors adopted the Employee Stock Purchase Plan (the "Purchase Plan"). Eligible employees can have up to 10% of their earnings withheld, up to certain maximums, to be used to purchase Ordinary shares. The price of Ordinary share purchased under the Purchase Plan will be equal to 85% of the lower of the fair market value of the Ordinary share on the commencement date of each offering period or on the semi-annual purchase date.

During 2000, 2001 and 2002, employees purchased 28,626, 128,303 and 131,667 shares at average prices of $ 32.89, $ 11.21 and $ 10.51 per share, respectively.

d. Dividends:

Dividends, if any, will be paid in NIS. Dividends paid to shareholders outside Israel may be converted to dollars on the basis of the exchange rate prevailing at the date of the conversion. The Company does not intend to pay cash dividends in the foreseeable future.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

NOTE 16: - MAJOR CUSTOMER AND GEOGRAPHIC INFORMATION

a. Summary information about geographic areas:

The Company manages its business on a basis of one reportable segment. See Note 1a for a brief description of the Company's business. The following data is presented in accordance with SFAS No. 131 "Disclosure About Segments of an Enterprise and Related Information". Total revenues are attributed to geographic areas based on the location of end customers.

The following presents total revenues and long-lived assets for the years ended December 31, 2000, 2001 and 2002:

	2000		2001		2002	
	TOTAL REVENUES	LONG-LIVED ASSETS	TOTAL REVENUES	LONG-LIVED ASSETS	TOTAL REVENUES	LONG-LIVED ASSETS
Americas	$ 90,540	$ 37,213	$ 66,324	$ 34,183	$ 88,426	$ 10,843
EMEA (*	39,901	97	34,955	110	47,684	18,489
Far East	18,232	-	21,015	87	22,829	95
Israel	4,490	28,367	4,814	27,831	3,566	42,818
	$ 153,163	$ 65,677	$ 127,108	$ 62,211	$ 162,505	$ 72,245

*) Includes Europe, the Middle East (excluding Israel) and Africa.

b. Product lines:

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

	YEAR ENDED DECEMBER 31,		
	2000	2001	2002
Digital audio and applications	$ 128,655	$ 99,785	$ 132,408
Digital video	15,824	14,084	22,933
COMINT	8,684	13,239	7,164
	$ 153,163	$ 127,108	$ 162,505

c. Major customers data as a percentage of total revenues:

Customer A	18.6	12.3	22.3

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

NOTE 17:- SELECTED STATEMENTS OF OPERATIONS DATA

a. Research and development, net:

	YEAR ENDED DECEMBER 31,		
	2000	2001	2002
Total costs	$ 25,406	$ 26,017	$ 24,742
Less: grants and participations	(1,174)	(1,392)	(2,208)
Less - capitalization of software development costs	(4,730)	(5,435)	(4,609)
	$ 19,502	$ 19,190	$ 17,925

b. Financial income, net:

	2000	2001	2002
Financial income:			
Interest and amortization/accretion of premium/discount of marketable securities	$ 3,326	$ 3,371	$ 2,747
Interest	3,433	1,294	551
Foreign currency translation	-	166	1,411
Other	-	12	-
	6,759	4,843	4,709
Financial expenses:			
Interest	(80)	(38)	(15)
Foreign currency translation	(163)	-	(95)
Other	(328)	(551)	(607)
	(571)	(589)	(717)
	$ 6,188	$ 4,254	$ 3,992

c. Amortization of acquired intangible assets, restructuring expenses, in-process research and development and goodwill impairment:

	2000	2001	2002
Amortization of acquired intangibles	$ 860	$ 3,413	$ -
Restructuring expenses (Note 11)	-	14,554	(118)
In-process research and development write-off (Note 1b, d)	6,786	-	1,270
Goodwill impairment	-	-	28,260
Other	-	-	(320)
	$ 7,646	$ 17,967	$ 29,092

d. Advertising expenses

	2000	2001	2002
Advertising expenses	$ 1,485	$ 1,265	$ 1,760

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

NOTE 17:- SELECTED STATEMENTS OF OPERATIONS DATA (CONT.)

e. Net loss per share:

The following table sets forth the computation of basic and diluted net loss per share:

1. Numerator:

	YEAR ENDED DECEMBER 31,		
	2000	2001	2002
Numerator for basic and diluted net loss per share - Loss available to Ordinary shareholders	$ (5,319)	$ (46,795)	$ (33,982)

2. Denominator (in thousands):

	2000	2001	2002
Denominator for basic net loss per share - Weighted average number of shares	12,317	13,047	13,795
Denominator for diluted net loss per share - adjusted weighted average shares assuming exercise of options	12,317	13,047	13,795

The effect of the inclusion of the options and warrants in 2000, 2001 and 2002 would be anti-dilutive. Because of the loss in 2000, 2001 and 2002, all potential dilutive securities are anti-dilutive.

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Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the Registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Ra'anana, State of Israel, on the 26th day of June, 2003.

NICE-SYSTEMS LTD.

By: /S/ Haim Shani

Haim Shani
President and Chief Executive Officer

CERTIFICATIONS

I, Haim Shani, Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 20-F of NICE-Systems Ltd.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June 26,2003

By: /s/ Haim Shani

Haim Shani
President and Chief Executive Officer

CERTIFICATIONS

I, Lauri Hanover, Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 20-F of NICE-Systems Ltd.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June 26,2003

By: /s/ Lauri Hanover

Lauri Hanover
Chief Financial Officer

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EXHIBIT 1.2

THE COMPANIES LAW, 5759-1999

A COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

OF

NICE-SYSTEMS LTD.

1. DEFINITIONS; INTERPRETATION

(a) "Companies Law" - the Israeli Companies Law, 5759-1999 as the same shall be amended from time to time, or any other law which shall replace that Law, together with any amendments and regulations thereto.

(b) "Companies Ordinance" - those sections of the Israeli Companies Ordinance [New Version] 5743-1983 that shall remain in force after the date of the coming into force of the Companies Law, as the same shall be amended from time to time.

(c) Unless the subject or the context otherwise requires: words and expressions defined in the Companies Law and in the Companies Ordinance, as the case may be, shall have the same meanings herein; words and expressions importing the singular shall include the plural and vice versa; words and expressions importing the masculine gender shall include the feminine gender; and words and expressions importing persons shall include bodies corporate.

(d) The captions in these Articles are for convenience only and shall not be deemed a part hereof or affect the construction of any provision hereof.

2. OBJECT AND PURPOSE OF THE COMPANY

The object and the purpose of the Company are as set forth in Section 2 of the Memorandum of Association of the Company.

3. LIMITATION OF LIABILITY

The liability of the shareholders of the Company is limited as set forth in Section 3 of the Memorandum of Association of the Company.

4. SHARE CAPITAL

The share capital of the Company is fifty million New Israeli Shekels (NIS 50,000,000) divided into fifty million (50,000,000) Ordinary Shares of nominal value of NIS 1.00 each ("Ordinary Shares").

5. INCREASE OF SHARE CAPITAL

(a) The Company may, from time to time, by resolution of the shareholders, whether or not all the shares then authorized have been issued, resolve to increase its share capital by the creation of new shares. Any such increase shall be in such amount and shall be divided into shares of such nominal amounts, and such shares shall confer such rights and preferences, and shall be subject to such restrictions, as such resolution shall provide.

(b) Except to the extent otherwise provided in such resolution, such new shares shall be subject to all the provisions applicable to the shares of the original share capital.

6. THE RIGHTS OF ORDINARY SHARES

The Ordinary Shares confer upon the holders thereof all rights accruing to a shareholder of the Company, as provided in these Articles, including, INTER ALIA, the right to receive notices of (in the manner proscribed in Articles 20 and 50 of these Articles), and to attend, shareholder meetings of the shareholders; for each share held - the right to one vote at all shareholders' meetings for all purposes, and to share equally, on a per share basis, in such dividends as may be declared by the Board of Directors in accordance with the terms of these Articles and the Companies Law; and upon liquidation or dissolution, the right to participate in the distribution of any surplus assets of the Company legally available for distribution to shareholders after payment of all debts and other liabilities of the Company, in accordance with the terms of these Articles and the law. All Ordinary Shares rank PARI PASSU in all respects with each other.

7.SPECIAL RIGHTS; MODIFICATIONS OF RIGHTS

(a) Subject to the provisions of any law, the Company may, from time to time, by resolution of the shareholders, provide for shares with such preferred or deferred rights or rights of redemption or other special rights and/or such restrictions, whether in regard to dividends, voting, repayment of share capital or otherwise, as may be stipulated in such resolution.

(b) (i) If at any time the share capital is divided into different classes of shares, the rights attached to any class, unless otherwise provided by these Articles, may be modified or abrogated by the Company, by a shareholder resolution, subject to the consent of the holders of a majority of the voting power of such class by written consent or at a separate General Meeting of the holders of the shares of such class.

(ii) The provisions of these Articles relating to General Meetings shall, mutatis mutandis, apply to any separate General Meeting of the holders of the shares of a particular class.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

(iii) Unless otherwise provided by these Articles, the enlargement of an existing class of shares, or the issuance of additional shares thereof, shall not be deemed, for purposes of this Article 7(b), to modify or abrogate the rights attached to the previously issued shares of such class or of any other class.

8. CONSOLIDATION, SUBDIVISION, CANCELLATION AND REDUCTION OF SHARE CAPITAL

(a) The Company may (subject, however, to the provisions of Article 7(b) hereof and to applicable law), from time to time, by resolution of the Company's shareholders:

(i) consolidate and divide all or any of its issued or unissued share capital into shares of larger nominal value than its existing shares,

(ii) subdivide its shares (issued or unissued) or any of them, into shares of smaller nominal value than is fixed by these Articles (subject to the provisions of the Companies Law), and the shareholders resolution whereby any share is subdivided may determine that, as among the holders of the shares resulting from such subdivision, one or more of the shares may, as compared with the others, have any such preferred or deferred rights or rights of redemption or other special rights, or be subject to any such restrictions, as the Company has power to attach to unissued or new shares.

(iii) cancel any shares which, at the date of the adoption of such resolution, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled, or

(iv) reduce its share capital in any manner, and with and subject to any incident authorized, and consent required, by law.

(b) With respect to any consolidation of issued shares into shares of larger nominal value, and with respect to any other action which may result in fractional shares, the Board of Directors may settle any difficulty which may arise with regard thereto, as it deems fit, including, INTER ALIA, resort to one or more of the following actions:

(i) determine, as to the holder of shares so consolidated, which issued shares shall be consolidated into each share of larger nominal value;

(ii) allot, in contemplation of or subsequent to such consolidation or other action, such shares or fractional shares sufficient to preclude or remove fractional share holdings;

(iii) redeem, in the case of redeemable preference shares, and subject to applicable law, such shares or fractional shares sufficient to preclude or remove fractional share holdings;

(iv) cause the transfer of fractional shares by certain shareholders of the Company to other shareholders thereof so as to most expediently preclude or remove any fractional shareholdings, and cause the transferees to pay the transferors the fair value of fractional shares so transferred, and the Board of Directors is hereby authorized to act as agent for the transferors and transferees with power of substitution for purposes of implementing the provisions of this sub-Article 8(b)(iv).

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

(c) The notice of a General Meeting with respect to the adoption of a resolution under Article 8(a) above, shall specify the actions to be adopted by the Board of Directors under Article 8(b) above.

SHARES

9. ISSUANCE OF SHARE CERTIFICATES; REPLACEMENT OF LOST CERTIFICATES

(a) Share certificates of issued shares shall, if issued, be issued under the seal or the rubber stamp of the Company or the Company printed name, and shall bear the signatures of two Directors, or of one Director and of the Secretary of the Company, or of any other person or persons authorized thereto by the Board of Directors.

(b) Each shareholder, registered in the Register of Shareholders (as defined in the Companies law), shall be entitled to one numbered certificate for all the shares of any class registered in his name, or if the Board of Directors so approves, to several certificates, each for one or more of such shares, in the form as shall be determined by the Board of Directors and according to the law.

(c) A share certificate registered in the names of two or more persons shall be delivered to the person first named in the Register of Shareholders in respect of such co-ownership.

(d) If a share certificate is defaced, lost or destroyed, it may be replaced, provided that the original certificate is presented to and destroyed by the Board of Directors or it is proved to the satisfaction of the Board of Directors that the certificate has been lost or destroyed, and upon payment of such fee, and upon the furnishing of such evidence of ownership and such indemnity or security, as the Board of Directors may think fit.

10. ALLOTMENT OF SHARES

The unissued shares shall be under the control of the Board of Directors, who shall have the power to allot shares or otherwise dispose of them to such persons, on such terms and conditions (including INTER ALIA terms relating to calls as set forth in Article 11(f) hereof), and either at par or at a premium, and at such times, as the Board of Directors may think fit, and the power to grant to any person the option to acquire from the Company any shares, either at par or at a premium, during such time and for such consideration as the Board of Directors may think fit.

11. CALLS ON SHARES; FORFEITURE AND SURRENDER

(a) The Board of Directors may, from time to time, make such calls as it may think fit upon a shareholder in respect of any sum unpaid in respect of shares held by such shareholder which is not, by the terms of allotment thereof or otherwise, payable at a fixed time, and each

shareholder shall pay the amount of every call so made upon him (and of each installment thereof if the same is payable in installments), to the person(s) and at the time(s) and place(s) designated by the Board of Directors, as any such time(s) may be thereafter extended and/or such person(s) or place(s) changed. Unless otherwise stipulated in the resolution of the Board of Directors (and in the notice hereafter referred to), each payment in response to a call shall be deemed to constitute a pro rata payment on account of all shares in respect of which such call was made.

(b) Notice of any call shall be given in writing to the shareholder(s) in question not less than fourteen (14) days prior to the time of payment, specifying the time and place of payment, and designating the person to whom such payment shall be made, provided, however, that before the time for any such payment, the Board of Directors may, by notice in writing to such shareholder(s), revoke such call in whole or in part, extend such time, or alter such person and/or place. In the event of a call payable in installments, only one notice thereof need be given.

(c) If, by the terms of allotment of any share or otherwise, any amount is made payable at any fixed time, every such amount shall be payable at such time as if it were a call duly made by the Board of Directors and of which due notice had been given, and all the provisions herein contained with respect to such calls shall apply to each such amount.

(d) The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof and all interest payable thereon.

(e) Any amount unpaid in respect of a call shall bear interest from the date on which it is payable until actual payment thereof, at such rate (not exceeding the then prevailing debitory rate charged by leading commercial banks in Israel), and at such time(s) as the Board of Directors may prescribe.

(f) Upon the allotment of shares, the Board of Directors may provide for differences among the allottees of such shares as to the amount of calls and/or the times of payment thereof.

(g) If any shareholder fails to pay any amount payable in respect of a call, or interest thereon as provided for herein, on or before the day fixed for payment of the same, the Company, by resolution of the Board of Directors, may at any time thereafter, so long as the said amount or interest remains unpaid, forfeit all or any of the shares in respect of which said call had been made. Any expense incurred by the Company in attempting to collect any such amount or interest, including, inter alia, attorneys' fees and costs of suit, shall be added to, and shall, for all purposes (including the accrual of interest thereon), constitute a part of the amount payable to the Company in respect of such call.

(h) Upon the adoption of a resolution of forfeiture, the Board of Directors shall cause notice thereof to be given to such shareholder, which notice shall state that, in the event of the failure to pay the entire amount so payable within a period stipulated in the notice (which period shall not be less than fourteen (14) days and which may be extended by the Board of Directors), such shares shall be ipso facto forfeited, provided, however, that, prior to the expiration of such period, the Board of Directors may nullify such resolution of forfeiture, but no such nullification shall stop the Board of Directors from adopting a further resolution of forfeiture in respect of the non-payment of the same amount.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

(i) Whenever shares are forfeited as herein provided, all dividends theretofore declared in respect thereof and not actually paid shall be deemed to have been forfeited at the same time.

(j) The Company, by resolution of the Board of Directors, may accept the voluntary surrender of any share.

(k) Any share forfeited or surrendered as provided herein shall become the property of the Company, and the same, subject to the provisions of these Articles, may be sold, re-allotted or otherwise disposed of as the Board of Directors thinks fit.

(l) Any shareholder whose shares have been forfeited or surrendered shall cease to be a shareholder in respect of the forfeited or surrendered shares, but shall, notwithstanding, be liable to pay, and shall forthwith pay, to the Company, all calls, interest and expenses owing upon or in respect of such shares at the time of forfeiture or surrender, together with interest thereon from the time of forfeiture or surrender until actual payment, at the rate prescribed in Article 11(e) above, and the Board of Directors, in its discretion, may enforce the payment of such moneys, or any part thereof, but shall not be under any obligation to do so. In the event of such forfeiture or surrender, the Company, by resolution of the Board of Directors, may accelerate the date(s) of payment of any or all amounts then owing by the shareholder in question (but not yet due) in respect of all shares owned by such shareholder, solely or jointly with another, and in respect of any other matter or transaction whatsoever.

(m) The Board of Directors may at any time, before any share so forfeited or surrendered shall have been sold, re-allotted or otherwise disposed of, nullify the forfeiture or surrender on such conditions as it thinks fit, but no such nullification shall stop the Board of Directors from re-exercising its powers of forfeiture pursuant to this Article 11.

(n) Except to the extent the same may be waived or subordinated in writing and to the extent permitted by applicable law, the Company shall have a first and paramount lien upon all the shares registered in the name of each shareholder (without regard to any equitable or other claim or interest in such shares on the part of any other person), and upon the proceeds of the sale thereof, for his debts, liabilities and engagements arising from any cause whatsoever, solely or jointly with another, to or with the Company, whether the period for the payment, fulfillment or discharge thereof shall have actually arrived or not. Such lien shall extend to all dividends from time to time declared in respect of such share. Unless otherwise provided, the registration by the Company of a transfer of shares shall be deemed to be a waiver on the part of the Company of the lien (if any) existing on such shares immediately prior to such transfer.

(o) The Board of Directors may cause the Company to sell any shares subject to such lien when any such debt, liability or engagement has matured, in such manner as the Board of Directors may think fit, but no such sale shall be made unless such debt, liability or engagement has not been satisfied within fourteen (14) days after written notice of the intention to sell shall have been served on such shareholder, his executors or administrators.

(p) The net proceeds of any such sale, after payment of the costs thereof, shall be applied in or toward satisfaction of the debts, liabilities or engagements of such shareholder (whether or not the same have matured), or any specific part of the same (as the Company may

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

determine), and the residue (if any) shall be paid to the shareholder, his executors, administrators or assigns.

TRANSFER OF SHARES

12. EFFECTIVENESS AND REGISTRATION

No transfer of shares shall be registered in the Register of Shareholders unless a proper instrument of transfer (in form and substance satisfactory to the Secretary of the Company) has been submitted to the Company, together with such other evidence of title as the Board of Directors may reasonably require. Until the transferee has been registered in the Register of Shareholders in respect of the shares so transferred, the Company may continue to regard the transferor as the owner thereof.

TRANSMISSION OF SHARES

13. DECEDENTS' SHARES

(a) In case of a share registered in the names of two or more holders established by law, the Company may recognize the survivor(s) as the sole owner(s) thereof unless and until the provisions of Article 13(b) have been effectively invoked.

(b) Any person becoming entitled to a share in consequence of the death of any person, upon producing evidence of the grant of probate or letters of administration or declaration of succession (or such other evidence as the Board of Directors may reasonably deem sufficient that he sustains the character in respect of which he proposes to act under this Article or of his title), shall be registered as a shareholder in respect of such share, or may, subject to the regulations as to transfer herein contained, transfer such share.

14. RECEIVERS AND LIQUIDATORS

(a) The Company may recognize the receiver, liquidator or similar official of any corporate shareholder in winding-up or dissolution, or the receiver, trustee or similar official in bankruptcy or in connection with the reorganization of any shareholder, as being entitled to the shares registered in the name of such shareholder.

(b) The receiver, liquidator or similar official of a corporate shareholder in winding-up or dissolution, or the receiver, trustee or similar official in bankruptcy or in connection with the reorganization of any shareholder, upon producing such evidence as the Board of Directors may deem sufficient that he sustains the character in respect of which he proposes to act under this Article or of his title, shall with the consent of the Board of Directors (which the Board of Directors may grant or refuse in its absolute discretion), be registered as a shareholder in respect of such shares in the Register of Shareholders, or may, subject to the regulations as to transfer herein contained, transfer such shares.

RECORD DATE WITH RESPECT TO OWNERSHIP OF SHARES

15. RECORD DATE FOR GENERAL MEETINGS

The shareholders entitled to receive notice of, to participate in and to vote thereon at a General Meeting, or to express consent to or dissent from any corporate action in writing, shall be the shareholders on the date set in the resolution of the Board of Directors to convene the General Meeting, provided that, such date shall not be earlier than forty (40) days prior to the date of the General Meeting and not later than four (4) days prior to the date of such General Meeting, or different periods as shall be permitted by law. A determination of shareholders of record with respect to a General Meeting shall apply to any adjournment of such meeting.

16. RECORD DATE FOR DISTRIBUTION OF DIVIDENDS

The shareholders entitled to receive dividends shall be the shareholders on the date upon which it was resolved to distribute the dividend or at such later date as shall be provided in the resolution in question.

GENERAL MEETINGS

17. ANNUAL GENERAL MEETING

An Annual General Meeting shall be held once in every calendar year at such time (within a period of not more than fifteen (15) months after the last preceding Annual General Meeting) and at such place either within or without the State of Israel as may be determined by the Board of Directors.

18. SPECIAL GENERAL MEETING

All General Meetings other than Annual General Meetings shall be called "SPECIAL GENERAL MEETINGS." The Board of Directors may, whenever it thinks fit, convene a Special General Meeting at such time and place, within or without the State of Israel, as may be determined by the Board of Directors. Special General Meetings may also be convened upon requisition in accordance with the Companies Law.

19. POWERS OF THE GENERAL MEETING

Subject to the provisions of the Companies Law and of these Articles, the resolutions in respect to the following matters shall be adopted by the General Meeting:

(a) Amendments to the Articles, as set forth in Section 20 of the Companies Law.

(b) Exercise of the authorities of the Board of Directors in accordance with the provisions of Section 52(a) of the Companies Law.

(c) Appointment of the outside auditor(s) of the Company, the determination of its/their terms of engagement with the Company and termination of its/their engagement with

the Company, all in accordance with the provisions of Sections 154-167 of the Companies Law.

(d) Appointment of independent ("external") Directors in accordance with the provisions of Section 239 of the Companies Law ("External Directors").

(e) Approval of actions and transactions that require the approval of the General Meeting pursuant to Sections 255 and 268-275 of the Companies Law.

(f) An increase and a decrease of the authorized share capital of the Company, pursuant to Sections 286 and 287 of the Companies Law.

(g) A merger, as set forth in Section 320(a) of the Companies Law.

20. NOTICE OF GENERAL MEETINGS

(a) Not less than twenty-one (21) days' prior notice shall be given of every General Meeting (the "Notice"). The Notice shall be published in two (2) newspapers in Israel and as shall be required by law or rules and regulations of the stock exchanges on which the Company's shares are listed. The Notice shall specify the place, date and hour of the General Meeting, its agenda, a summary of proposed resolutions and the procedure for voting in such General Meeting by proxy statement and any other matter as shall be required by law. Notices shall not be sent to each of the shareholders registered in the Company's Register of Shareholders.

(b) The validity of any resolutions carried at a General Meeting shall not be affected if the Company, by oversight, has not sent a notice of the convening of the meeting, or has sent an incomplete or incorrect notice regarding the convening of the meeting or its agenda, or has not served a notice as aforesaid or has delayed in sending or delivering the said notice.

PROCEEDINGS AT GENERAL MEETINGS

21. QUORUM

(a) Two or more shareholders (not in default in payment of any sum referred to in Article 26(a) hereof), present in person or by proxy or by written ballot, as shall be permitted, and holding shares conferring in the aggregate twenty-five percent (25%) or more of the voting power of the Company, shall constitute a quorum at General Meetings.

(b) If within half an hour from the time appointed for the meeting a quorum is not present, if convened upon requisition under sections 63, 64 or 65 of the Companies Law, the meeting shall be dissolved, but in any other case it shall stand adjourned to the same day in the next week, at the same time and place, or to such day and at such time and place as specified in the Notice of such meeting or as the Chairman may determine with the consent of the holders of a majority of the voting power represented at the meeting in person or by proxy or by written ballot, as shall be permitted, and voting on the question of adjournment. At such adjourned meeting, any two (2) shareholders (not in default as aforesaid) present in person or by proxy or by written ballot, as shall be permitted, shall constitute a quorum.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

(c) No business shall be transacted at a General Meeting, or at any adjournment thereof, unless the requisite quorum is present when the meeting proceeds to business.

22. CHAIRMAN

Any member of the Board of Directors shall preside as Chairman at any General Meeting of the Company. If there is no such member, or if at any meeting such member is not present within fifteen (15) minutes after the time fixed for holding the meeting or is unwilling to act as Chairman, the shareholders present shall choose someone of their member to be Chairman. The office of Chairman shall not, by itself, entitle the holder thereof to vote at any General Meeting nor shall it entitle such holder to a second or casting vote (without derogating, however, from the rights of such Chairman to vote as a shareholder or proxy of a shareholder if, in fact, he is also a shareholder or such proxy).

23. ADOPTION OF RESOLUTIONS AT GENERAL MEETINGS

(a) Unless otherwise specifically provided in these Articles or under any applicable law, all resolutions submitted to the shareholders shall be deemed adopted if approved by the holders of a simple majority of the voting power represented at the meeting in person or by proxy or by written ballot, as shall be permitted, and voting thereon.

(b) Every question submitted to a General Meeting shall be decided by a count of votes.

(c) A declaration by the Chairman of the meeting that a resolution has been carried unanimously, or carried by a particular majority, or lost, and an entry to that effect in the minute book of the Company, shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favor of or against such resolution.

24. POWER TO ADJOURN

(a) The Chairman of a General Meeting, in which the required quorum is present, may resolve to adjourn the meeting ,for no more than thirty(30)days, to such time and place as shall be determined but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting as originally called.

(b) It shall not be necessary to give any notice of an adjournment under Article 24(a), unless the meeting is adjourned for more than twenty-one (21) days in which event notice thereof shall be given in the manner required for the meeting as originally called.

25. VOTING POWER

Subject to any provision hereof conferring special rights as to voting, or restricting the right to vote, every shareholder shall have one vote for each share held by him of record, on every resolution.

26. VOTING RIGHTS

(a) The shareholders entitled to vote at a General Meeting shall be the shareholders listed in the Company's Register of Shareholders on the record date, as specified in Article 15.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

(b) A company or other corporate body being a shareholder of the Company may, by resolution of its directors or any other managing body thereof, authorize any person to be its representative at any meeting of the Company. Any person so authorized shall be entitled to exercise on behalf of such shareholder all the power which the latter could have exercised if it were an individual shareholder. Upon the request of the Chairman of the meeting, written evidence of such authorization (in form acceptable to the Chairman) shall be delivered to him.

(c) Any shareholder entitled to vote may vote either personally or by proxy (who need not be a shareholder of the Company), or, if the shareholder is a company or other corporate body, by a representative authorized pursuant to Article 26(b) or by a written ballot, as permitted by law and according to these Articles.

(d) If two or more persons are registered as joint holders of any share, the vote of the senior who tenders a vote, in person or by proxy or by written ballot, as shall be permitted, shall be accepted to the exclusion of the vote(s) of the other joint holder(s); and for this purpose seniority shall be determined by the order in which the names stand in the Register of Shareholders.

(e) No shareholders shall be entitled to vote at any General Meeting (or be counted as a part of the quorum thereat), unless all calls and other sums then payable by him in respect of his shares in the Company have been paid.

(f) The Board of Directors may determine, in its discretion, the matters that may be voted upon a written ballot to the Company (without attendance in person or by proxy or by written ballot, as shall be permitted, at a General Meeting, in addition to the matters listed in Section 87(c) of the Companies law.

PROXIES

27. INSTRUMENT OF APPOINTMENT

(a) The instrument appointing a proxy shall be in writing and shall be in any usual or common form or in such other form as may be approved by the Board of Directors. It shall be duly signed by the appointor or, if such appointor is a company or other corporate body, under its common seal or stamp or the hand of its duly authorized agent(s) or attorney(s).

(b) The instrument appointing a proxy (and the power of attorney or other authority, if any, under which such instrument has been signed) shall be delivered to the Company (at its Registered Office, or at its principal place of business or at the offices of its transfer agent or at such other place as the Board of Directors may specify) not less than forty-eight (48) hours (or such shorter period as may be determined by the Board of Directors) before the time fixed for the meeting at which the person named in the instrument proposes to vote.

28. EFFECT OF DEATH OF APPOINTOR OR REVOCATION OF APPOINTMENT

A vote cast pursuant to an instrument appointing a proxy shall be valid notwithstanding the previous death of the appointing shareholder (or of his attorney-in-fact, if any, who signed

such instrument), or the revocation of the appointment or the transfer of the share in respect of which the vote is cast, provided no written notification of such death, revocation or transfer shall have been received by the Company or by the Chairman of the meeting before such vote is cast, and provided, further, that the appointing shareholder, if present in person at said meeting, may revoke the appointment by means of a writing, oral notification to the Chairman, or otherwise.

BOARD OF DIRECTORS

29. POWERS OF BOARD OF DIRECTORS

(a) The Board of Directors shall have all powers vested in it according to the Companies Law and these Articles, shall have any and all authorities not vested in any other organ of the Company according to the Companies Law and these Articles, shall be authorized to determine the policy of the Company, shall supervise the performance and actions of the General Manager, and, without derogating form the above, shall have all the following powers:

(i) determine the Company's plans of action, the principles of their financing and the order of priority among them;

(ii) examine the financial status of the Company, and set the frame of credit that the Company shall be entitle to acquire;

(iii) determine the organizational structure of the Company and its compensation policies;

(iv) may resolve to issue series of debentures;

(v) shall be responsible for the preparation and approval of the financial statements of the Company, as set forth in Section 171 of the Companies Law;

(vi) report to the Annual General Meeting of the status of the Company's affairs and of their financial outcomes, as set forth in Section 173 of the Companies Law.

(vii) appoint the General Manager and may terminate such appointment, in accordance with Section 250 of the Companies Law;

(viii) resolve in the matters on actions and transactions that require its approval according to Sections 255 and 268-275 of the Companies Law and of the provisions of these Articles;

(ix) issue shares and convertible securities up to the total amount of the authorized share capital of the Company, in accordance with Section 288 of the Companies Law;

(x) decide on a "distribution" as set forth in Sections 307-308 of the Companies Law;

(xi) express its opinion on a special tender offer, as set forth in Section 329 of the Companies Law.

(b) The powers of the Board of Directors described in Articles 29(a)(i)-29(a)(xi) above shall not be delegated to the General Manager(s) of the Company.

30. EXERCISE OF POWERS OF DIRECTORS

(a) A meeting of the Board of Directors at which a quorum is present shall be competent to exercise all the authorities, powers and discretion vested in or exercisable by the Board of Directors.

(b) A resolution proposed at any meeting of the Board of Directors shall be deemed adopted if approved by a simple majority of the Directors then in office who are lawfully entitled to participate in the meeting and vote thereon and present when such resolution is put to a vote and voting thereon.

(c) A resolution in writing signed by all of the Directors then in office and lawfully entitled to vote thereon (as conclusively determined by the Chairman of the Board of Directors) or to which all of such Directors have given their consent (by letter, telegram, telex, facsimile, telecopier or their oral consent by telephone (provided that a written summary thereof has been approved and signed by the Chairman of the Board of Directors of the Company)) shall be deemed to have been unanimously adopted by a meeting of the Board of Directors duly convened and held.

31. DELEGATION OF POWERS

The Board of Directors may, subject to the provisions of the Companies Law, delegate its powers to committees, each consisting of two or more persons (all of whose members must be Directors), and it may from time to time revoke such delegation or alter the composition of any such committee. Any such Committee authorized to exercise the powers of the Board of Directors shall include at least one (1) External Director. Any Committee so formed (in these Articles referred to as a "Committee of the Board of Directors"), shall, in the exercise of the powers so delegated, conform to any regulations imposed on it by the Board of Directors. The meetings and proceedings of any such Committee of the Board of Directors shall, mutatis mutandis, be governed by the provisions herein contained for regulating the meetings of the Board of Directors, so far as not superseded by any regulations adopted by the Board of Directors under this Article. Unless otherwise expressly provided by the Board of Directors in delegating powers to a Committee of the Board of Directors, such Committee shall not be empowered to further delegate such powers.

32. NUMBER OF DIRECTORS

Until otherwise determined by resolution of the Company's shareholders, the Board of Directors shall consist of not less than three (3) nor more than thirteen (13) Directors, including two (2) External Directors.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

33. ELECTION AND REMOVAL OF DIRECTORS

Directors shall be elected at the Annual General Meeting by the vote of the holders of a simple majority of the voting power represented at such meeting in person or by proxy or by written ballot, as shall be permitted, and voting on the election of directors. The Directors so elected shall hold office until the next Annual General Meeting. The holders of a simple majority of the voting power represented at a General Meeting and voting thereon shall be entitled to remove any Director(s) from office, to elect directors in place of the Director(s) so removed or to fill any vacancy, however created, on the Board of Directors.

34. CONTINUING DIRECTORS IN THE EVENT OF VACANCIES

(a) Any vacancy in the Board of Directors, however occurring, including a vacancy resulting from an enlargement of the Board, may be filled by a vote of a majority of the Directors then in office, even if less than quorum. A Director elected to fill a vacancy shall be elected to hold office until the next annual General Meeting.

(b) If the position of one or more Directors is vacated, the continuing Directors shall be entitled to act in every matter so long as their number is not less than the statutory minimum number required at the time. If, at any time, their number decreases below said statutory minimum number, they will not be entitled to act except in an emergency, and they may fill vacant positions on the Board of Directors pursuant to Article 34(a) herein or call a General Meeting of the Company for the purpose of electing Directors to fill any vacancies.

35. VACATION OF OFFICE

(a) The office of a Director shall be vacated, ipso facto, upon the occurrence of any of the following: (i) such Director's death, (ii) such Director is convicted of a crime as described in Section 232 of the Companies Law, (iii) such Director is removed by a court or law in accordance with Section 233 or 247 of the Companies Law, (iv) such Director becomes legally incompetent, (v) if such Director is an individual, such Director is declared bankrupt, (vi) if such Director is a corporate entity, upon its winding-up, liquidation, whether voluntary or involuntary or (vii) upon a resolution of the Company's shareholders, pursuant to Article 33(a) above.

(b) The office of a Director shall be vacated by his written resignation. Such resignation shall become effective on the date fixed therein, or upon the delivery thereof to the Company, whichever is later.

36. REMUNERATION OF DIRECTORS

Each Director shall be paid remuneration by the Company for his services as Director as such remuneration shall have been approved pursuant to the provisions of the Companies Law.

37. NO ALTERNATE DIRECTORS

A Director may not appoint an alternate for himself.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

PROCEEDINGS OF THE BOARD OF DIRECTORS

38. MEETINGS

(a) The Board of Directors may meet and adjourn its meetings according to the Company's needs but at least once in every three (3) months, and otherwise regulate such meetings and proceedings as the Directors think fit. Meetings of the Board of Directors may be held telephonically or by any other means of communication provided that each Director participating in such meeting can hear and be heard by all other Directors participating in such meeting.

(b) Any Director may at any time convene a meeting of the Board of Directors, but not less than seven (7) days' notice (oral or written) shall be given of any meeting so convened. The failure to give notice to a Director in the manner required hereby may be waived by such Director. Upon the unanimous approval of the Directors, a meeting of the Board of Directors can be convened without any prior notice. The notice of a meeting shall include the agenda of the meeting.

39. QUORUM

A quorum at a meeting of the Board of Directors shall be constituted by the presence, in person or by any other means of communication by which the Directors may hear each other simultaneously, of a majority of the Directors then in office who are lawfully entitled to participate in the meeting and vote thereon (as conclusively determined by the Chairman of the Board of Directors). No business shall be transacted at a meeting of the Board of Directors unless the requisite quorum is present as aforesaid when the meeting proceeds to business.

40. CHAIRMAN OF THE BOARD OF DIRECTORS

The Board of Directors shall from time to time elect one of its members to be the Chairman of the Board of Directors, and it may from time to time remove such Chairman from office and appoint another in its place. The Chairman of the Board of Directors shall preside at every meeting of the Board of Directors, but if there is no such Chairman, or if at any meeting he is not present within fifteen (15) minutes of the time fixed for the meeting, or if he is unwilling to take the chair, the Directors present shall choose one of their number to be the chairman of such meeting.

The General Manager of the Company shall not serve as the Chairman of the Board of Directors, and the Chairman of the Board of Directors shall not be granted authorities of the General Manager, unless such appointment, or grant, as the case may be, is approved by the shareholders in a General Meeting in accordance with Section 121(c) of the Companies Law. The office of Chairman shall not entitle the holder to a second or casting vote .

41. VALIDITY OF ACTS DESPITE DEFECTS

Subject to the provisions of the Companies Law, all acts done bona fide at any meeting of the Board of Directors, or of a Committee of the Board of Directors, or by any person(s) acting as Director(s), shall, notwithstanding that it may afterwards be discovered that there was some defect in the appointment of the participants in such meetings or any of them or any person(s) acting as aforesaid, or that they or any of them were disqualified, be as valid as if there were no such defect or disqualification.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

GENERAL MANAGER

42. GENERAL MANAGER

(a) The Board of Directors shall appoint from time to time one or more persons as General Manager(s) of the Company.

(b) The General Manager shall be responsible for the day-to-day management of the affairs of the Company within the framework of the policies determined by the Board of Directors from time to time and subject to the discretion of the Board of Directors.

(c) The General Manager shall have full managerial and operational authority to carry out all the activities which the Company may carry on by law and under these Articles and which have not been vested by law or by these Articles in any other organ of the Company. The General Manager shall be subject to the supervision of the Board of Directors.

(d) The General Manager may, subject to the provisions of the Companies Law, from time to time, appoint a Secretary to the Company, as well as officers, agents, employees and independent contractors, as the General Manager may think fit, and may terminate the service of any such person. The General Manager may, subject to the provisions of the Companies Law, determine the powers and duties, as well as the salaries and emoluments, of all such persons.

MINUTES

43. MINUTES

(a) Minutes of each General Meeting and of each meeting of the Board of Directors shall be recorded and duly entered in books provided for that purpose. The minutes of each meeting of the Board of Directors shall, in all events, set forth the names of the persons present at the meeting and all resolutions adopted thereat.

(b) Any minutes as aforesaid, if purporting to be signed by the chairman of the meeting or by the chairman of the next succeeding meeting, shall constitute prima facie evidence of the matters recorded therein.

(c) Subject to the provisions of the Companies Law, each shareholder shall have the right to inspect the minutes of the General Meetings.

DIVIDENDS

44. DECLARATION OF DIVIDENDS

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

Subject to the Companies Law, the Board of Directors may from time to time declare, and cause the Company to pay dividends out of the profits of the Company. Subject to the Companies Law, the Board of Directors shall determine the time for payment of such dividends and the record date for determining the shareholders entitled thereto.

45. AMOUNT PAYABLE BY WAY OF DIVIDENDS

(a) Subject to the rights of the holders of shares with special rights as to dividends, if any, any dividend paid by the Company shall be allocated among the shareholders entitled thereto in proportion to the nominal value of their respective holdings of the shares in respect of which such dividend is being paid.

(b) Shares which are fully paid up or which are credited as fully or partly paid within any period which in respect thereof dividends are paid shall entitle the holders thereof to a dividend in proportion to the amount paid up or credited as paid up in respect of the nominal value of such shares and to the date of payment thereof (pro rata temporis).

46. INTEREST

No dividend shall carry interest as against the Company.

47. UNCLAIMED DIVIDENDS

All unclaimed dividends payable in respect of a share may be invested or otherwise made use of by the Board of Directors for the benefit of the Company until claimed. The payment by the Directors of any unclaimed dividend into a separate account shall not constitute the Company a trustee in respect thereof, and any dividend unclaimed after a period of seven (7) years from the date of declaration of such dividend unclaimed after a like period from the date the same were payable, shall be forfeited and shall revert to the Company, PROVIDED, HOWEVER, that the Board of Directors may, at its discretion, cause the Company to pay any such dividend, or any part thereof, to a person who would have been entitled thereto had the same not reverted to the Company.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

ACCOUNTS

48. AUDITORS

The outside auditor(s) of the Company shall be appointed by resolution of the Company's shareholders at the General Meeting and shall serve until its/their re-election, removal or replacement by subsequent resolution, provided that each term of service shall not extend beyond the third Annual Meeting after the Annual Meeting at which such auditor was appointed. The authorities, rights and duties of the outside auditor(s) of the Company, shall be regulated by applicable law. The Board of Directors shall have the power and authority to fix the remuneration of the auditor(s).

RIGHTS OF SIGNATURE

49. RIGHTS OF SIGNATURE

The Board of Directors shall be entitled to authorize any person or persons (who need not be Directors) to act and sign on behalf of the Company, and the acts and signature of such person(s) on behalf of the Company shall bind the Company insofar as such person(s) acted and signed within the scope of his or their authority.

NOTICES

50. NOTICES

Without derogating from the provisions of Article 20:

(a) In the event the Company elects to send any written notice or other document to any of its shareholders such notice may be served either personally or by sending it by prepaid registered mail (airmail if sent to a place outside Israel) addressed to such shareholder at his address as described in the Register of Shareholders or such other address as he may have designated in writing for the receipt of notices and other documents. In the event a shareholder elects to send the Company any written notice or other document such notice may be served by tendering the same in person to the Secretary or the General Manager of the Company at the principal office of the Company or by sending it by prepaid registered mail (airmail if posted outside Israel) to the Company at its Registered Address. Any such notice or other document shall be deemed to have been served forty-eight (48) hours after it has been posted (seven (7) business days if sent internationally), or when actually received by the addressee if sooner than two days or seven days, as the case may be, after it has been posted, or when actually tendered in person, to such shareholder (or to the Secretary or the General Manager), provided, however, that notice may be sent by cablegram, telex, telecopier (facsimile) or other electronic means (to an address provided to the Company by any shareholder) and confirmed by registered mail as aforesaid, and such notice shall be deemed to have been given twenty-four (24) hours after such cablegram, telex, telecopy or other electronic communication has been sent (provided, that electronic confirmation of the successful sending of such notice was received) or when actually received by such shareholder (or by the Company), whichever is earlier. If a notice is, in fact, received by the addressee, it shall be deemed to have been duly served, when received,

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

notwithstanding that it was defectively addressed or failed, in some respect, to comply with the provisions of this Article 50(a).

(b) All notices to be given to the shareholders shall, with respect to any share to which persons are jointly entitled, be given to whichever of such persons is named first in the Register of Shareholders, and any notice so given shall be sufficient notice to the holders of such share.

(c) Any shareholder whose address is not described in the Register of Shareholders, and who shall not have designated in writing an address for the receipt of notices, shall not be entitled to receive any notice from the Company.

INSURANCE AND INDEMNITY

51. INDEMNITY AND INSURANCE

(a) INDEMNIFICATION

(i) Subject to the provisions of the Companies Law, including the receipt of all approvals as required therein or under any applicable law, the Company may indemnify an Office Holder with respect to the following liabilities and expenses, provided that such liabilities or expenses were incurred by such Office Holder in such Office Holder's capacity as an Office Holder of the Company:

(1) a monetary liability imposed on an Office Holder pursuant to a judgment in favor of another person, including a judgment imposed on such Office Holder in a settlement or in an arbitration decision that was approved by a court of law; and

(2) reasonable legal expenses, including attorney's fees, which the Office Holder incurred or with which the Office Holder was charged by a court of law, in a proceeding brought against the Office Holder, by the Company, on its behalf or by another person, or in a criminal prosecution in which the Office Holder was acquitted, or in a criminal prosecution in which the Office Holder was convicted of an offense that does not require proof of criminal intent.

(ii) The foregoing indemnification may be procured by the Company (a) retroactively and (b) as a commitment in advance to indemnify an Office Holder, provided that such commitment shall be limited to (i) such events that in the opinion of the Board of Directors can be foreseen at the time the undertaking to indemnify is provided, and (ii) to the amounts that the Board of Directors deems reasonable under the circumstances and which shall in no event exceed ,in the aggregate, twenty five percent (25%) of the Company's Shareholder's Equity at the time of the indemnification .

(b) INSURANCE

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

(i) Subject to the provisions of the Companies Law, including the receipt of all approvals as required therein or under any applicable law, the Company may enter into an agreement to insure an Office Holder for any responsibility or liability that may be imposed on such Office Holder in connection with an act performed by such Office Holder in such Office Holder's capacity as an Office Holder of the Company, with respect to each of the following:

(1) violation of the duty of care of the Office Holder towards the Company or towards another person;

(2) breach of the fiduciary duty towards the Company, provided that the Office Holder acted in good faith and with reasonable grounds to assume that the such action would not prejudice the benefit of the Company; and

(3) a financial obligation imposed on the Office Holder for the benefit of another person.

(ii) Articles 51(b) and 51(c) shall not apply under any of the following circumstances:

(1) a breach of an Office Holder's fiduciary duty, except as specified in Article 51(c)(i)(2);

(2) a grossly negligent or intentional violation of an Office Holder's duty of care;

(3) an action intended to reap a personal gain illegally; and

(4) a fine or ransom levied on an Office Holder.

(iii) The Company may procure insurance for or indemnify any person who is not an Office Holder, including without limitation, any employee, agent, consultant or contractor, provided, however, that any such insurance or indemnification is in accordance with the provisions of these Articles and the Companies Law.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

MERGER

52. MERGER

A merger (as defined in the Companies Law) of the Company shall require the approval of the holders of a majority of seventy five percent (75%) of the voting power represented at the General Meeting in person or by proxy or by written ballot, as shall be permitted, and voting thereon in accordance with the provisions of the Companies Law.

WINDING UP

53. WINDING UP

If the Company be wound up, then, subject to applicable law, after satisfaction of the Company's liabilities to creditors, the Company's liquidation proceeds shall be distributed to the shareholders of the Company in proportion to the nominal value of their respective holdings of the shares in respect of which such distribution is being made. A voluntary winding up of the Company shall require the approval of the holders of a majority of at least seventy five percent (75%) of the voting power represented at a General Meeting in person or by proxy or by written ballot, as shall be permitted, and voting thereon.

AMENDMENT OF THESE ARTICLES

54. Any amendment of these Articles shall require the approval of the holders of a simple majority of the voting power represented at the General Meeting in person or by proxy or by written ballot, as shall be permitted, and voting thereon.

</TEXT>
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Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

Exhibit 4.3

DATED 30 July 2002

THALES SA (1)

- and -

THE PURCHASERS (2)

SALE AND PURCHASE AGREEMENT

EXECUTION COPY

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

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ATTESTATIONS

SALE AND PURCHASE AGREEMENT

THIS AGREEMENT is made the 30th day of July, 2002

PARTIES:

(1) THALES SA, a French societe anonyme having its registered office at 173, Boulevard Haussmann, Paris (75008) ("Thales");

(2) NICE CTI SYSTEMS UK LIMITED (a company incorporated in England and Wales with registered number03403044) whose registered office is at 8 The Square, Stockley Park, Uxbridge, Middlesex UB11 1FW ("UK Purchaser");

(3) NICE SYSTEMS SARL, a French societe a responsabilite limitee in the course of being set up, whose registered office will be located at 64 avenue Kleber, 75116 Paris, France represented for the purpose of this Agreement by its sole shareholder Nice CTI Systems UK Ltd., itself represented by Haim Shani duly empowered for the purpose hereof ("French Purchaser");

(4) NICE SYSTEMS GMBH (a German company) whose registered office is at Lyonerstrasse 44-48, Frankfurt 60528, Germany ("German Purchaser");

(5) NICE SYSTEMS INC. (a company incorporated under the laws of the State of Delaware , USA), whose principal place of business is at 301 Route 17 North, Rutherford, New Jersey 07070 (the "US Purchaser");

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(6) NICE SYSTEMS LTD. an Israeli company having its registered office at 8 Hapnina Street, Raanana, 43107 Israel ("Nice")

(Nice, the UK Purchaser, the French Purchaser, the German Purchaser and the US Purchaser being referred to in this Agreement together as the "Purchasers").

BACKGROUND:

A Thales, through its wholly owned subsidiaries identified in this Agreement as the Companies, carries on the Business (as defined in this Agreement) and is the beneficial owner or is otherwise able to procure the sale of the Business as a going concern and the sale of the Assets (as defined in this Agreement).

B Thales has agreed to sell (or procure the sale of), and Nice has agreed to purchase the Business as a going concern (as defined in this Agreement) and the Assets (as defined in this Agreement), either directly or through one or more of its subsidiaries, upon the terms of this Agreement.

TERMS AGREED:

1 DEFINITIONS AND INTERPRETATION

1.1 In this Agreement and the Schedules to it unless the context otherwise requires the following words and expressions shall have the following meanings:

"Accounting Date" means 31 December 2001;

"Accounting Principles" means the Thales principles and accounting policies more particularly set out in Schedule 9 and practices in accordance with which the Accounts were prepared, consistently applied;

"Accounts" means the audited accounts of each of the Companies, comprising the balance sheet and the profit and loss account as at the Accounting Date together with the notes, reports and statements included in or annexed to them;

"Accounts Combination Statement" means the combination of the Accounts in the agreed terms;

"Accounts Receivable" means all book debts, notes receivable and other rights to payment at the Completion Date arising from the operation of the Business before the Completion Date (including the right to receive payment for goods despatched or delivered and services rendered before the Completion Date but not invoiced before such date) but excluding any such debts or rights forming part of the Excluded Assets and "Accounts Receivable" shall be construed accordingly;

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"Additional Services" means the additional services defined in Clause 17.2;

"Affiliates" means in respect to any person, any other person directly or indirectly controlling, controlled by, or under common control with, such person;

"Assets" means all of the assets and rights used in or relating to the Business as listed in Clause 5.1 below but excluding the Excluded Assets;

"Assigned IPR" means those Intellectual Property Rights to be assigned under the Thales IPR Assignment;

"Assumed Cliffstone Obligations" means the liabilities or obligations to Cliffstone as defined at sub-paragraph (d) of the definition of "Assumed Liabilities";

"Assumed Liabilities" means:

(a) trade creditors of the Business at the Completion Date to the extent reflected in the Completion Balance Sheet;

(b) subject to Clause 17.1, performance obligations which remain to be performed under the Contracts excluding any licences of third party Intellectual Property Rights where the formal consent of the licensor is required and has not been obtained to enable

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

the relevant Purchaser to take an assignment of such obligations unless and until such consent has been obtained;

(c) all of the debts, obligations and other liabilities and all claims of and against the Companies arising before or after Completion which specifically relate to the Business but, in each case, only to the extent reflected in the Completion Balance Sheet; and

(d) the liabilities or obligations to Cliffstone which will be assumed by or attach to the UK Purchaser and the US Purchaser under the terms of the Cliffstone Documents following their acquisition of the Cliffstone Shares and the Cliffstone Note (respectively) pursuant to this Agreement and any other obligations assumed by Nice under United States company law pursuant to their holding of shares in a US private limited company, where, in each case such liability relates to the period after Completion and is not caused by any act, error, or omission by Thales during Thales' period of ownership of the Cliffstone Shares (the "Assumed Cliffstone Obligations");

"Auditors" means, PwC, London;

"Business" means the business of the design, development, production, marketing and supply of various secure voice recording, surveillance and replay systems and products and application software for business performance management solutions in contact centres, public safety and wholesale trading platforms and the provision of ancillary services currently carried on by the Companies;

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"Business Day " means a day (other than a Saturday or Sunday) on which banks are open for normal banking business in Paris, London, New York and Tel Aviv;

"Business Information" means all information used exclusively in the Business including but not limited to all know-how, trade secrets, confidential information and other information (whether or not confidential and in whatever form held) owned and in the possession or under the control of the Companies including, without limitation, all formulas, designs, specifications, drawings, data, manuals and instructions and all customer lists, sales information and records, business plans and forecasts, accounting and tax records, orders, correspondence and enquiries and all technical or other expertise;

"Business IPR" means the Intellectual Property Rights owned by the Companies and any Intellectual Property Rights owned by any other member of the Thales Group which is used exclusively in connection with the Business and/or including, but not limited to, the Assigned IPR which includes but is not limited to the Intellectual Property Rights set out at Schedule 7 but excluding the Excluded Trade Marks;

"Business Properties" means the properties detailed in Part 1 of Schedule 3;

"Business Transfer Agreements" has the meaning set out in Clause 5.5;

"Carved-Out Accounts" means the combined audited accounts of each of the Companies in respect of the Business, prepared according to US GAAP and carve-out principles for the periods ended 31 December 2000 and the Accounting Date or prepared according to carve-out principles but not US GAAP for the periods ended 31 December 1999, 31 December 2000 and the

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

Accounting Date, required to comply with SEC requirements for a 20F or F3 filing;

"Cliffstone" means Cliffstone Corporation, a company incorporated under the laws of the state of Georgia whose principal place of business is 645 Molly Lane, Suite 150, Woodstock, Georgia 30189;

"Cliffstone Documents" means each of:

(a) the Cliffstone Note;

(b) the Call Center Technology, Inc Investor Rights Agreement dated August 21, 2000 between Call Center Technology, Inc, The Racal Corporation, the Common Shareholders, the Series A Shareholders and the New Shareholders (and Amendment 2 thereto dated 10 September 2001;

(c) the Stock Purchase Agreement between CCTI., Stephen M. Beckett II, Henry F. Yoder Jr., Cordova Technology Partners L.P. and the Racal Corporation dated 21 August 2000;

(d) the Credit Agreement between Cliffstone Corporation and Thales TRC, Inc. dated 10 September 2001; and

(e) the Security Agreement between Cliffstone Corporation and Thales TRC, Inc. dated 10 September 2001;

"Cliffstone Note" means the US Dollar One Million and Five Hundred Thousand secured convertible promissory note entered between Thales TRC, Inc. and Cliffstone on September 10, 2001;

"Cliffstone Shares" means the 3,356,335 shares of series C Convertible Preferred Stock par value $1 per share in Cliffstone currently held by Thales

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

TRC, Inc. to be transferred at Completion to Nice (or as it shall otherwise so direct) pursuant to the relevant transfer form;

"Companies" means TCSA, TCSL, TCS GmbH and TCS Inc, brief details of each of which are set out in Schedule 1;

"Companies Act" means the relevant legislation governing companies in each respective jurisdiction where the Companies are incorporated (being equivalent to the Companies Act 1985 in UK) and with respect to TCS, Inc. and Cliffstone respectively, also means the relevant legislation governing companies in their state of incorporation;

"Company" means each of the Companies severally;

"Completion" means completion of the transactions to be effected pursuant to this Agreement in accordance with Clause 9;

"Completion Balance Sheet" means a consolidated balance sheet of the Business as at the Completion Date reflecting the Assets and Assumed Liabilities acquired or assumed pursuant to this Agreement prepared pursuant to and in accordance with Clause 13 and the Accounting Principles;

"Completion Date" means the date on which Completion occurs;

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

"Completion Net Asset Value" means the Net Asset Value as shown in the Completion Balance Sheet calculated in Dollars applying the Conversion Rate;

"Conditions" means the conditions precedent to Completion specified at Clause 2 and "Condition" shall mean any of them;

"Contracts" means

(a) the Leases;

(b) all contracts, engagements or orders entered into on or prior to the Completion Date by or on behalf of any of the Companies with customers for the sale of goods or the supply of services by any of the Companies in connection with the Business which at the Completion Date remain to be performed in whole or in part including any outstanding obligations owed to any member of the TCS Group in relation to the Business in respect of Inter-company Trading Indebtedness;

(c) all agreements entered into on or prior to the Completion Date by any member of the Thales Group in connection with the Business with sales representatives, sales agents or distributors which are extant at the Completion Date;

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

(d) all licences granted by any of the Companies in relation to the Business IPR;

(e) all licences granted in favour of any member of the Thales Group in relation to Intellectual Property Rights used exclusively in connection with the Business, including (but not limited to) those contained in the Disclosure Letter, except those which were intended to also be used outside of the Business but which, as a matter of fact, were only used in connection with the Business as at Completion, which licences shall be deemed to be "Shared Assets"; and

(f) all other contracts entered into in the course of carrying on the Business to which any member of the Thales Group is a party and which have not been fully performed on the Completion Date and which relate to the Business.

Notwithstanding the above, "Contracts" shall not include contracts or leases in respect of Business Properties, contracts with Employees, US Embargo Country Contracts, the contract with Coppice Developments Limited and contracts relating to the Excluded Liabilities;

"Conversion Rate" means the mid-market spot exchange rate between the two relevant currencies on the relevant date as published in the Financial Times (London edition);

"Cross Patents Licence Agreements" means the patent licence granted by Thales in respect of all group patents including the patent application for "Voice Activity Monitor" owned by TCSL (UK Application number: UK 9916430.3; application date 13 July 1999, publication number GB 2352948;

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

publication date 7 February 2001; inventor Neil Martin Crick) to Alcatel and Thomson Multimedia;

"Cumulative Orders" means the total cumulative value (calculated in Euro at the Conversion Rate on the 30 June 2002) of the recorded orders of the Companies received in respect of the Business in accordance with the provisions of Clause 7.7.6 during the period 1 January to 30 June 2002;

"Disclosure Documents" means those documents disclosed to the Purchaser's Solicitors and which are scheduled and attached to the Disclosure Letter;

"Disclosure Letter" means the letter of even date with this Agreement written by and on behalf of Thales to the Purchasers;

"Dollar" or "USD" or "$" means dollar, the lawful currency of the United States of America;

"Embargo Contracts" means (a) the purchase order placed by Rashed Al Makhawi for the supply of "Wordnet" recorders for Libya pursuant to a distribution agreement between Rashed Al Makhawi and TCSL (copies of the purchase order and the distribution agreement being attached to the Disclosure Letter); and (b) the purchase order placed by the Islamic Republic of Iran Civil Aviation Authority dated February 2002 for the supply of spares (a copy of which is attached to the Disclosure Letter) (the "Iran Contract");

"Employees" means those employees employed by the Thales Group in the Business as at Completion who are to transfer to the Purchasers and who are listed at Schedule 18 as amended at Completion to reflect changes in the period between signing and Completion provided that such changes

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

have occurred in compliance with Clause 10 and the total number of Employees in each jurisdiction at Completion does not exceed the number of Employees in each jurisdiction at the date of this Agreement unless otherwise agreed in writing by Nice and Thales;

"Employment Liabilities" has the meaning set out in Clause 14.1.2;

"Encumbrances" means all pledges, charges, liens, mortgages, security interests, pre-emption rights, options and any other similar encumbrances or third party rights or claims of any similar kind (other than liens arising or incurred in the ordinary course of business and securing obligations not material in amount and provisions constituting reservation and retention of title clauses entered into in the ordinary course of business in favour of suppliers);

"Environment" has the meaning ascribed by Section 1 (2) of the Environment Protection Act 1990 and equivalent law in all other countries where the Business has been and/or is conducted;

"Environmental Laws" means all laws, regulations, directives and other measures imposed by any relevant body to which the Business has been subject insofar as they relate to the pollution or protection of the Environment;

"Environmental Matters" means:-

(a) pollution or contamination;

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

(b) the release, spillage, deposit, escape, discharge, leak, emission or presence of Hazardous Materials or Waste;

(c) exposure of any person to Hazardous Materials or Waste;

(d) the creation of noise, vibration, radiation or common law or statutory nuisance or other adverse impact on the Environment;

(e) worker health and safety; and

(f) other matters relating to the protection, condition, maintenance or replacement of the Environment or any part of it arising out of the manufacturing, processing, treatment, keeping, handling, labelling, use (including as a building material), possession, supply receipt, sale, purchase, import, export or transportation or presence of Hazardous Materials or Waste;

"European Transfer Legislation" has the meaning set out in Clause 14.2.1(a);

"Excluded Assets " means:

(a) Inter-company Debts; and

(b) cash in hand or at a bank not included in the Completion Balance Sheet;

(c) any US Embargo Country Contracts; and

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

(d) the Excluded Trade Marks;

"Excluded Employees" means any persons not named at Schedule 18 as Employees;

"Excluded Liabilities" means:

(a) Inter-company Debts and External Debt outstanding at Completion;

(b) Inter-company Trading Indebtedness owed by any member of the TCS Group to any member of the Thales Group other than the Companies;

(c) any liability to Taxation;

(d) any liability relating to US Embargo Country Contracts;

(e) any liability arising from or in connection with Cliffstone or obligations to Cliffstone, other than the Assumed Cliffstone Obligations;

(f) any liability in relation to the Excluded Employees; and

(g) any liability in relation to the contract with Coppice Developments Limited; and

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

(h) all of the debts, obligations and other liabilities and all claims of and against the Companies arising before or after Completion which are not Assumed Liabilities;

"Excluded Trade Marks" means the trade marks, service marks, brand names, certification marks, trade dress, business names, and other indications of origin and any Internet protocol addresses and networks, including domain names, e-mail addresses and world wide web (www) and http addresses, network names, network addresses and services which subsist of or include "Thales", "Thales Contact Solutions", "Racal", "Thomson", or any confusingly similar word or any Thales, Racal or Thomson specific logos;

"External Debt" means the indebtedness of the Companies (in relation to the Business) to banks or other providers of loan finance facilities but excluding:

(a) Inter-company Debts;

(b) Inter-company Trading Indebtedness; and

(c) all amounts in respect of the Leases;

"Fixtures and Fittings" means the fixtures (other than the Machinery and Equipment and any landlords' fixtures and fittings at the Business Properties) belonging to the Companies or any other member of the Thales Group and used exclusively in connection with the Business;

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

"French Business" means that part of the Business operated as a going concern by TCSA and all the Assets used in that part of the Business by TCSA other than the Assigned IPR;

"GAAP" means generally accepted accounting principles in the relevant country;

"German Business" means that part of the Business operated as a going concern by TCS GmbH and all the Assets used in that part of the Business by TCS GmbH other than the Assigned IPR;

"Goodwill" means the goodwill, custom and connections of the Companies in connection with the Business including the exclusive right for Nice and the Purchasers to represent themselves as carrying on the Business in succession to the Companies but, for the avoidance of doubt, shall not include any right to the use of the Excluded Trade Marks save as specifically provided for under Clause 24 of this Agreement;

"Governmental Authority" means any United Kingdom, France, United States of America, Germany, Israel, or other federal, state, provincial, or local governmental, regulatory, or administrative authority, agency or commission or any court, tribunal, or judicial or arbitral body and any body relating to any of the foregoing or to any jurisdiction in which the Business has operations;

"Guarantees" means those guarantees or obligations expressly relating to the Business and/or Assets and/or Assumed Liabilities entered into by Thales or any member of the Thales Group and now subsisting and specified in Schedule 8;

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

"Hazardous Materials" means anything which alone or in connection with other things is capable of causing harm to man or to the Environment or any other organism supported by the Environment such as to constitute a breach of Environmental Laws;

"Hedge End Landlord" has the meaning set out in paragraph 2 of part 2 of Schedule 3;

"Hedge End Licence" means the license granted pursuant to paragraph 10 of part 2 of Schedule 3;

"Hedge End Property" means the office premises at Hedge End, Eastleigh, Hampshire demised by and more particularly described in a lease dated 9 July 1998 made between Whitbread plc, Archer Communications Systems Limited, and Racal Electronics plc and which is also for the purposes of this Agreement one of the Business Properties;

"Hedge End Sublease" means a sublease in the agreed terms to be entered into between Thales Properties Limited and the UK Purchaser relating to the Hedge End Property;

"ICTA 1988" means the Income and Corporation Taxes Act 1988;

"Independent Accountants" means either (a) an independent internationally reputable firm of chartered accountants agreed between

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

Thales and Nice or (b) in default of agreement as to the identity of the independent internationally reputable firm of chartered accountants within 5 days of either party notifying the other of its wish to appoint an independent firm, a specific member of an independent internationally reputable firm of chartered accountants to be nominated on the application of either party by the President for the time being of the Institute of Chartered Accountants in England and Wales;

"Information Technology" means computer and telecommunication hardware, software, networks and/or other information technology and any aspect or asset of a business which relies on computer hardware, software, networks and other information technology (embedded or otherwise);

"Instem Contracts" means each of the manufacturing agreement between TCSL and Instem Technologies Limited dated 5 November 2001, the agreement for a revolving credit facility between TCSL and Instem Technologies Limited dated 5 November 2001, the equitable charge granted by Instem Technologies Limited to TCSL dated 5 November 2001 and the deed of priority between TCSL and the Governor and Company of the Bank of Scotland dated 5 November 2001;

"Initial Purchase Price" means the price, exclusive of VAT, to be paid by the Purchasers in consideration for the Cliffstone Shares, Cliffstone Note, Business and Assets in accordance with this Agreement calculated in accordance with Clause 7.2 but excluding any Sales Earn Out Amount and any Earn Out Consideration payable in accordance with Clauses 7.4 and 7.7 respectively;

"Intellectual Property Rights" means all intellectual property in any jurisdiction, whether registered, pending applications or unregistered, including without limitation: (a) all trade marks, service marks, brand names,

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certification marks, trade dress, business names and other indications of origin; (b) Patents; (c) trade secrets, know-how and other confidential or non-public business information, including ideas, manufacturing and production processes and techniques, research and development information, drawings, specifications, designs, source codes plans, proposals and technical data, business and marketing plans, market surveys, market know-how and customer lists and information; (d) writings and other copyright works, including computer programs, source code, object code and documentation (whether or not released), design right, architecture, database rights, and all copyrights and any non-registered copyrights to any of the foregoing; (e) integrated circuit topographies and mask works; (f) Internet protocol addresses and networks, including domain names, e-mail addresses, world wide web (www) and http addresses, network names, network addresses and services; (g) privacy and publicity rights; and (h) all other intellectual property rights of a similar nature or having equivalent or similar effect to these which may subsist anywhere in the world;

"Inter-company Debts" means all amounts owing on interest bearing or non-interest bearing loan or current account to or by any of the Companies, from or to any member of the Thales Group as at Completion, other than Inter-company Trading Indebtedness;

"Inter-company Trading Indebtedness" means the trading debts in the ordinary course of business owing to or by any of the Companies, (in relation to the Business) by or to any member of the Thales Group including in respect of goods and services supplied, and for this purpose trading debts arising in the ordinary course of business shall include charges in respect of publicity, administration and other services provided by members of the Thales Group;

"Inventory" means all stocks of raw materials, supplies, work in progress, parts and components and finished goods and other stock-in-trade and

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

packaging held, used or owned by the Companies at the Completion Date exclusively for the purposes of or exclusively in connection with the Business, including items which although subject to reservation of title by the relevant sellers are under the direct or indirect control of the Companies including but not limited to inventory of the Business located at Instem or other third party locations;

"IPR Assignment" means the agreement in the form attached at Schedule 14 to be entered into between Thales Electronics, Thales and Nice relating to the assignment of the Assigned IPR;

"IPR Licence" means the licence to be entered into between Thales Electronics and TCSL granting the right for TCSL to use the Assigned IPR in the form attached at Schedule 14;

"IPR Licence Novation Deed" means the deed in the form attached at Schedule 14 to be entered into between TCSL, Thales Electronics and the UK Purchaser relating to the novation of the IPR Licence;

"Key Employees" means those Employees listed at Schedule 20;

"(pound)" or "pounds" means pounds sterling, the lawful currency of the United Kingdom;

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

"Landlord's Consent" has the meaning set out in paragraph 2 of part 2 of Schedule 3;

"Leases" means all those contracts, engagements or orders entered into on or prior to the Completion Date by or on behalf of the Companies in relation to the leasing, lease purchase or hire of goods or equipment for use exclusively in the Business which on the Completion Date remain to be performed in whole or in part;

"Machinery and Equipment" means all the plant, machinery, equipment, Company owned vehicles, office, warehouse and factory equipment, furniture and furnishings, together with all spare parts, accessories and consumable supplies therefor and other goods used by the Companies exclusively in the Business at the Completion Date;

"Management Accounts" the management accounts of the TCS Group (excluding TCSA) for the five month period ending 31 May 2002;

"Material IPR" means all the Intellectual Property Rights used in connection with the Business relating to the following products:

(a) Renaissance;

(b) Wordnet (versions 1, 2 and 3);

(c) Tienna;

(d) Mirra; and

(e) Agent Quality Monitoring (and any applications associated therewith which are owned by the Companies);

"NAV Target" means $29,982,000 being the combined net asset value of the Business as at 31 December 2001 calculated in accordance with the

Accounting Principles as extracted from the Accounts Combination Statement.

"NAV Statement" means the statement agreed between Thales and Nice pursuant to Clause 13 or, in the event of the operation of Clause 13.4, the determination of the Independent Accountants of the amount which in their opinion is the Net Asset Value;

"Net Asset Value" means the aggregate amount, as at the close of business on the Completion Date, of the consolidated fixed and current assets of the Business (excluding the Goodwill, the Business IPR and any other intangible assets) less the aggregate amount, as at the close of business on the Completion Date, of the consolidated liabilities of the Business calculated in accordance with the Accounting Principles in Dollars applying the Conversion Rate;

"Nice's Accountants" means Ernst & Young, Israel;

"Nice Shares" has the meaning given in Clause 7.1;

"Non-UK Business" means that part of the Business carried on outside the United Kingdom;

"Non-UK Employees" means those employees employed in the Business outside the United Kingdom as listed in Part 2 of the Schedule 18 as amended at Completion to reflect changes in the period between signing and Completion provided that such changes have occurred in compliance with Clause 10 and the total number of Non-UK Employees in each non-UK jurisdiction at Completion does not exceed the number of Non-UK

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

Employees in each non-UK jurisdiction on the date of this Agreement unless otherwise agreed in writing by Nice and Thales;

"Patents" means any and all patents, patent applications (including letters patent, industrial designs, and inventor's certificates), design registrations, invention disclosures, and applications to register industrial designs, and any and all rights to any of the foregoing anywhere in the world, including any provisionals, substitutions, extensions, supplementary protection certificates, re-examinations, reissues, renewals, divisions, continuations in part (or in whole), continued prosecution applications, requests for continued examination, and other similar filings or notices provided for under the laws of any country;

"PAYE" means any payment of or on account of any income assessable to income tax under Schedule E as required under Section 203 of ICTA 1988 and any regulations made under it or its equivalent in any relevant jurisdiction;

"Prism Product" means the Tactical Application Integration Suite product known as "Prism" as at the date of Completion (version 2.7.27) owned by Cliffstone;

"Purchasers" means the persons defined as such in the parties clause, and "Purchaser" shall mean any of them;

"Purchasers' Group" means the Purchasers and any holding company of the Purchasers and any subsidiaries of such holding company, holding and subsidiary having the meanings given in the Companies Act 1985 of the United Kingdom;

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

"Purchasers' Solicitors" means SJ Berwin, London;

"Records" means all books and records containing or relating exclusively to Business Information or on which any Business Information is recorded (including, without limitation, all documents and other material (whether in hard copy or in any forms of computer or machine readable material));

"Registration Rights Agreement" means the registration rights agreement between Nice and Thales granting Thales certain rights with respect to the registration under the United States Securities Act of 1933 as amended (the "Securities Act") of the Nice Shares issued to Thales as consideration pursuant to this Agreement set out at Schedule 11;

"Reseller Agreement" means the Reseller Agreement between TCSL and Cliffstone dated 5 December 2000 (as amended) relating to the Prism Product;

"Restricted Customer" means a person who was a customer of the Business at any time during the two years prior to the Completion Date;

"Restricted Supplier" means a person who was a supplier of the Business at any time during the two years prior to the Completion Date;

"Relevant Employees" means those employees listed at Schedule 19;

"Service Documents" means a claim form, application notice, order, judgment or other document relating to any proceedings;

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

"Shared Assets" has the meaning set out in clause 5.2;

"Surplus Employees" means those Employees of TCSA and TCS GmbH listed at Schedule 22;

"Sales Earn Out Amount" has the meaning set out in Clause 7.4 and calculated in accordance with Schedule 21;

"2002 Sales" means the aggregate of:

(a) the net sales revenues of the Companies attributable to sales of TCS Products for the period from 1 January 2002 and ending on the Completion Date as set out in the management accounts of the Companies and recorded in the books of the Companies as revenue for the period concerned, with such adjustments as are necessary to comply with US GAAP including, for the avoidance of doubt, the inclusion of net sales revenues not recognised in the Carved Out Accounts prepared under US GAAP for the period ending on the Accounting Date but properly recognised as net sales revenues in the period from 1 January 2002 and ending on the Completion Date under US GAAP; and

(b) the net sales revenues of the Purchasers' Group attributable to sales of TCS Products for the period from the Completion Date and ending on 31 December 2002 by reference to the published financial statements of Nice for the financial year ending on 31 December 2002;

"2002 Sales Statement" means the statement agreed between Thales and Nice pursuant to Schedule 21, or in the event of the operation of paragraph 2.5 of Schedule 21, the determination of the Independent Accountants of the amount which is in their opinion the 2002 Sales;

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

"Tax" or "Taxation" means any form of tax, duty, charge, fee, levy, deficiency impost, withhholding or other assessment of whatever kind or nature and whether created or imposed including, without limitation, any income tax (including income tax or amounts equivalent to income tax required to be deducted withheld from or accounted for in respect of any payment) net income, gross income, profits, gross receipts, advance corporation tax, inheritance tax, value added tax, escheat property, rates, customs and excise duties, real or personal property, sales, ad valorem, withholding, national insurance and social security, retirement, excise, employment, unemployment, minimum, estimated, severance, stamp duty, stamp duty reserve tax, property, occupation, environmental, windfall profits, use, service, net worth, payroll, franchise, license, capital gains tax, customs, capital transfer tax, capital duty, recording and other tax, duty, charge, fee, levy, deficiency, impost, withholding or other assessment or charge of any kind whatsoever, wherever created or imposed, payable to or imposed by any Tax Authority, including any liability therefore as a transferee or as a result of any tax sharing or similar agreement, together with any interest, charges, penalties, fines or additions to tax relating thereto;

"Tax Authority" means any branch, office, department, agency, instrumentality, court, tribunal, officer, employee, designee, representative, or other person that is acting for, on behalf or as a part of any foreign or domestic government (or any political subdivision thereof) that is engaged in or has any power, duty, responsibility or obligation relating to the legislation, promulgation, interpretation, enforcement, regulation, monitoring, supervision or collection of or any other activity relating to any Tax;

"TCSA" means Thales Contact Solutions SA a French societe anonyme whose registered office is at 18 avenue Dutartre, 78150 Le Chesnay, France;

"TCS GmbH" means Thales Contact Solutions GmbH a company incorporated in Germany whose registered office is at Technologie Park Bergisch Gladbach, Friedrich-Ebert Strasse, D-51429, Bergich Gladbach, Germany;

"TCSL" means Thales Contact Solutions Limited (a company incorporated in England and Wales with the registered number 560700 whose registered office is at Western Road, Bracknell, Berkshire RG12 1RG;

"TCS Group" means the Companies and the Business and Assets (as the context may require);

"TCS Inc" means Thales Contact Solutions Inc, a company incorporated under the laws of the State of Delaware , USA, whose principal place of business is at 480 Spring Park Place, Suite 1000, Herndon VA20170, USA;

"TCS Products" means all of the various secure voice recording, surveillance and replay systems and products and application software for business management solutions in contact centres, public safety and wholesale trading platforms (including in particular the products listed within the definition of Material IPR) and all other products and services sold or supplied in the course of the Business;

"Thales IPR Assignment" means the agreement in the form attached at Schedule 14 to be entered into between TCSL and Thales Electronics;

"Thales Electronics" means Thales Electronics Plc (a company incorporated in England and Wales with the registered number 497098) whose registered office is at Western Road, Bracknell, Berkshire RG12 1RG;

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

"Thales Group" means Thales and each of its subsidiaries (including the Companies), any holding company of Thales and all other subsidiaries of such holding company from time to time;

"Thales Properties Limited" means Thales Properties Limited (a company incorporated in England and Wales with registered number 1153834 whose registered office is at Western Road, Bracknell, Berkshire RG12 1RG;

"Thales TRC, Inc" means Thales TRC Inc a company incorporated under the laws of the State of Florida, USA whose principal place of business is at North Harrison Parkway, Building A, Suite 100, Sunrise, Florida 33323-2899;

"Thales' Scheme" as defined in Schedule 6;

"Third Party Licensed IPR" means Intellectual Property Rights which are licensed under Contracts as defined in part (e) of the definition of "Contracts" other than under the Wordnet 3 Licence and the Reseller Agreement;

"Transfer Regulations" means the Transfer of Undertakings (Protection of Employment Regulations 1981, as amended;

"Transitional Services Agreement" means the agreement in the form attached as Schedule 12 to be entered into between Thales, certain members of the Thales Group and the Purchasers relating to the provision of specified services for an interim period following Completion;

"UK Business" means that part of the Business operated as a going concern by TCSL and all the Assets used in that part of the Business by TCSL other than the Assigned IPR;

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

"UK Employees" means the employees of TCSL engaged in the UK Business as listed in Part 1 of Schedule 18 as amended at Completion to reflect changes in the period between signing and Completion provided that such changes have occurred in compliance with Clause 10 and the total number of UK Employees at Completion does not exceed the number of UK Employees at the date of this Agreement unless otherwise agreed in writing by Nice and Thales;

"US Business" means that part of the Business operated as a going concern by TCS Inc and all the Assets used in that part of the Business by TCS Inc;

"US Embargo Countries" means any of Burma (Myanmar), Cuba, Iran, Iraq, Libya, Sudan, Taliban (Afghanistan), and UNITA (Angola);

"US Employees" shall mean the Non UK Employees listed on Schedule 19 which are employees of TCS, Inc;

"US Embargo Country Contracts" means any contract with a party resident in any of the US Embargo Countries or for the provision of goods or services to any person, directly or indirectly, in any of the US Embargo Countries;

"VAT" means value added tax or its equivalent in any relevant jurisdiction;

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

"VATA 1994" means the Value Added Tax Act 1994;

"Warranties" means the warranties given by Thales as set out in Part 1 of Schedule 4 and Schedule 5 and references to "Warranty" shall be construed accordingly;

"Waste" means any waste including anything which is abandoned, unwanted or surplus, irrespective of whether it is capable of being recovered or recycled or has any value;

"Wordnet 3 Licence" means the Software Licence and Service Agreement dated 1st March 2002 between TCSL and Origin Data Realisation Limited;

"Works" means the carrying out of: (a) inspection, investigation, sampling and monitoring works; and (b) any works (including the installation, operation, repair or replacement of plant or equipment) in order to remove, remedial or contain any Environmental Matter or in order to prevent an Environmental Matter from arising.

1.2 In this Agreement, unless otherwise specified:

1.2.1 the singular includes the plural and reference to any gender includes the other genders;

1.2.2 references to persons include bodies corporate, unincorporated associations and partnerships;

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

1.2.3 words and phrases defined in the Companies Act have the same meanings in this Agreement but the word "company" shall be construed so as to include any body corporate, company or corporation, wherever and howsoever incorporated or established;

1.2.4 references to "Clauses" are to clauses or sub-clauses of this Agreement, references to "Schedules" are to the schedules to this Agreement and references within a Schedule to "paragraphs" are to paragraphs or sub-paragraphs of that Schedule;

1.2.5 the expressions "holding company", "subsidiary" and "wholly owned subsidiary" shall have the meaning given in the Companies Act 1985 of the United Kingdom;

1.2.6 a person shall be deemed to be connected with another if that person is connected with another within the meaning of section 839 ICTA 1988;

1.2.7 references to times of the day are to London time;

1.2.8 the expression "control" shall have the meaning given within section 416 ICTA 1988.

1.3 In this Agreement:

1.3.1 any reference to any statute or statutory provision includes any consolidation or re-enactment of the same

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

and any subordinate legislation in force under the same from time to time;

1.3.2 the index and headings are for reference purposes only and shall not affect the interpretation of this Agreement;

1.3.3 references to documents "in the agreed terms" are to documents the terms of which have been agreed by or on behalf of the parties and a copy of which has been initialled for the purpose of identification by or on behalf of the parties; and

1.3.4 references to writing shall include any methods of reproducing words in a legible and non-transitory form.

1.4 The Schedules are an integral part of this Agreement and shall have the same force and effect as if expressly set out in the body of this Agreement and references to this Agreement shall include the Schedules.

1.5 Any reference to any English legal term for any action, remedy, method of legal proceeding, legal concept or matter, legal document, legal status, court, official or any legal thing shall in respect of any jurisdiction other than England be treated as a reference to the closest equivalent English legal term, proceeding concept or matter in that legal jurisdiction.

1.6 References to the knowledge, information, belief or awareness of any person shall be treated as including any knowledge, information, belief or awareness which the person would have if the person had made all usual and reasonable enquiries of the Relevant Employees.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

1.7 Any reference to any amount of money which is denominated in any currency shall where the context so requires or admits be deemed to include a reference to the same amount in any other currency, calculated by applying the closing mid point spot rate for the previous trading day as published in the London edition of the Financial Times on the date on which such sum falls to be determined.

2 CONDITIONS

2.1 Completion of the sale and purchase of the Cliffstone Shares, Cliffstone Note, Business and Assets shall be conditional upon the following conditions being satisfied in accordance with this Agreement:

2.1.1 in respect of competition and/or anti-trust or any analogous law or regulation:

(a) a statement having been issued by the UK Office of Fair Trading or the appropriate Minister in terms satisfactory to the Purchaser that is not the intention of the Secretary of State for Trade and Industry to refer the transaction to the Competition Commission or such transaction having been so referred, the Secretary of State for Trade and Industry indicating that the Competition Commission has concluded that such transaction is not expected to operate against the public interest or, if it has not so concluded, that the Secretary of State for Trade and Industry does not propose to prohibit or restrain such transaction and that any undertakings he may require from the Purchaser in lieu of such action

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

are in terms satisfactory to the Purchaser; and

(b) receipt of any necessary approval of the Tel Aviv Stock Exchange, the Investment Centre of the Israel Ministry of Industry and Trade and the Office of the Chief Scientist of the Israel Ministry of Industry and Trade to the Issuance of the Nice Shares to Thales; and

(c) all other filings, notifications or applications having been made and all consents that are necessary under any relevant national merger control rules, anti-trust or similar legislation having been obtained in terms satisfactory to the Purchaser and any waiting or other time or limitation periods under such rules having expired, lapsed or otherwise terminated in respect of the proposed acquisition by the Purchaser;

2.1.2 Thales procuring that Origin Data Realisation Limited consents to the following in relation to the Wordnet 3 Licence:

(a) an assignment from TCSL to Thales Electronics;

(b) the grant of a sub-licence from Thales Electronics to TCSL;

(c) an assignment or novation of the sub-licence referred to in (b) above from TCSL to UK Purchaser; and

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

(d) an assignment from Thales Electronics to Nice,

or such alternative series of transactions with similar effect as Nice may agree with Thales.

2.2 Thales and the Purchasers shall each use all reasonable endeavours to procure the due fulfilment of the Conditions as expeditiously as possible so far as lies within their respective powers to do so and the Purchasers may following written notice to Thales in their sole and absolute discretion waive the condition contained in Clause 2.1.2.

2.3 If the Conditions are not fulfilled by 31 December 2002, this Agreement (save for Clause 26 (Confidentiality), Clause 29 (Announcements) and Clause 31 (Costs) which shall remain in force) shall automatically terminate and none of the parties shall have any claim of any nature whatsoever against the other parties under this Agreement save that the rights and liabilities of the parties which have accrued prior to termination shall subsist.

2.4 Thales and the Purchasers undertake to keep one another informed as to progress towards satisfaction of the Conditions and in particular to disclose in writing to one another anything which will or may prevent any of the Conditions from being satisfied by the Completion Date immediately it comes to the notice of either of them.

2.5 The Purchasers shall consult and collaborate with Thales with respect to any filings, notifications or applications and discussions with any relevant, national Governmental Authority or supranational Authority.

3 BUSINESS PROPERTIES

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

3.1 On Completion the UK Purchaser shall enter into either the Hedge End Sublease or the Hedge End Licence as determined by the provisions of Part 2 of Schedule 3.

3.2 Thales shall indemnify and keep indemnified and hold harmless Nice and the UK Purchaser (and, to the extent relevant, any other member of the Purchaser's Group) on demand in respect of any losses, liabilities, claims, demands, damages, costs and expenses ("Losses") arising from or in connection with any claim made to Nice or the UK Purchaser or any member of the Purchaser's Group by the Hedge End Landlord in respect of the Hedge End Licence or the Purchaser's use or occupation of the Hedge End Property.

3.3 Thales shall indemnify and keep indemnified and hold harmless Nice and the UK Purchaser (and, to the extent relevant, any other member of the Purchaser's Group) on demand in respect of any costs of relocation of the Business as contemplated by clause 3.5 ("Relocation Costs") required in the event that the Hedge End Landlord requires the UK Purchaser to vacate the Hedge End Property.

3.4 Thales shall indemnify and keep indemnified and hold harmless Nice and the UK Purchaser (and, to the extent relevant, any other member of the Purchaser's Group) on demand in respect of any Losses arising from the Hedge End Landlord denying occupation of the Hedge End Property to the UK Purchaser provided that such indemnity shall not apply where the UK Purchaser has been given written notice to vacate the Hedge End Property and the UK Purchaser fails to vacate within such period as would give the UK Purchaser a reasonable time to relocate to alternative premises pursuant to the procedures specified in Clause 3.5 and provided that in the event that the Hedge End Landlord denies occupation as aforesaid the UK Purchaser shall vacate the Hedge End Property as soon as reasonably practicable pursuant to the procedures specified in Clause 3.5.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

3.5 If the Hedge End Landlord requires the UK Purchaser to vacate the Hedge End Property then the UK Purchaser shall conduct a search for alternative premises which premises shall be within the south east of England (excluding the Isle of Wight). Following the identification of appropriate premises, the UK Purchaser shall provide details of such premises to Thales and agree with Thales a timetable for the relocation and a specification for fitting out the relevant premises. The fit out of the premises shall be such as to satisfy the UK Purchaser's reasonable requirements provided that such requirements shall not exceed the specification at the Hedge End Property. The UK Purchaser shall be entitled to engage any appropriate professionals to assist it in the relocation or other service providers including real estate agents, lawyers, office designers, architects, building contractors (and all relevant sub-contractors) and removal services provided that Thales shall be entitled to require the UK Purchaser to engage such service providers as it shall direct from a short list of such firms provided by Thales to the UK Purchaser and on terms negotiated by Thales directly with such service providers.

3.6 The UK Purchaser shall give all reasonable assistance and support of the application for the consent of the Hedge End Landlord to the Hedge End Sublease and Nice shall, if so required by the Hedge End Landlord as a pre-condition of such consent provide to the Hedge End Landlord its guarantee of the obligations of the UK Purchaser's under the Landlord's Consent.

3.7 The indemnities at Clauses 3.2 and 3.3 shall not extend to any Losses or Relocation Costs (as the case may be) to the extent that such Losses and/or Relocation Costs would not have been incurred had the UK Purchaser complied with the provisions of Clauses 3.5 and 3.6.

3.8 The indemnities at Clauses 3.2 and 3.3 shall cease to have effect on the earlier of (a) the UK Purchaser voluntarily vacating Hedge End Property

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

other than on notice from the Hedge End Landlord, and (b) the grant of the Hedge End Sublease.

3.9 The leases or other contracts to which any of the Companies or any other member of the Thales Group is a party in respect of the occupation by any of the Companies of those Business Properties (the "Relevant Business Properties") specified in Part 1B of Schedule 3 shall be treated as Assumed Liabilities notwithstanding the absence of any landlord's consent or any other necessary consent to assignment, transfer or other action necessary to vest legal and beneficial title to the Relevant Business Properties in the relevant Purchasers and accordingly the Purchasers in each jurisdiction shall assume the leases or other contracts in respect of the Relevant Business Properties but only to the extent that copies of such documents are included in the Disclosure Documents and Clause 21 shall apply to the leases or other contracts as aforesaid as if they were "Contracts" for the purposes of Clause 21 provided that the Purchasers shall not be liable for or assume any liability for any act, neglect, default or omission in respect of any of the Relevant Business Properties committed by any member of the Thales Group or occurring before Completion.

4 SALE AND PURCHASE OF THE CLIFFSTONE SHARES AND NOTE

4.1 Subject to the terms of this Agreement, Thales shall or shall procure that Thales TRC Inc. shall sell free from Encumbrances and the UK Purchaser and the US Purchaser (relying on the Warranties) shall purchase, as at and from the Completion Date, the Cliffstone Shares and the Cliffstone Note (respectively) together with all rights attached or accruing to them at Completion.

4.2 Nice shall not be obliged to complete the purchase of any of the Cliffstone Shares unless the purchase of all the Cliffstone Shares, the Cliffstone Note

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

and the purchase of the Business and Assets under this Agreement is completed simultaneously.

4.3 Thales undertakes to take all steps necessary to ensure all rights of pre-emption over any of the Cliffstone Shares and Cliffstone Note are waived.

4.4 Nice shall provide to Thales all reasonable assistance required by Thales to enable it to procure the consent of Cliffstone with respect to the sale of the Cliffstone Shares, the Cliffstone Note and the matters referred to at Clause 9.2.4.

5 SALE AND PURCHASE OF THE BUSINESS

5.1 Subject to the terms of this Agreement, Thales shall or shall procure that the Companies (and in relation to the Assigned IPR and the rights under the Wordnet 3 Licence (subject to certain obligations in respect thereof), Thales Electronics) shall sell free from all Encumbrances and in accordance with the covenant in Clause 5.3 and the Purchasers (relying on the Warranties) shall purchase, as at and with effect from the Completion Date the Business as a going concern and the Assets (to be divided between the Purchasers as provided in Clause 5.4 below), comprising:

5.1.1 the Machinery and Equipment;

5.1.2 the Fixtures and Fittings;

5.1.3 the Inventory;

5.1.4 the Goodwill;

5.1.5 the benefit of the Contracts;

5.1.6 all of the rights against third parties (including, without limitation, all rights in connection with such third party guarantees, warranties, indemnities, restrictive covenants, confidentiality obligations and representations and all rights of action of whatever kind whether or not any proceedings have commenced) with respect to the Business;

5.1.7 the Business IPR;

5.1.8 the Accounts Receivable;

5.1.9 the Business Information;

5.1.10 the Records; and

5.1.11 all other property rights and all other assets of whatsoever nature (but not any further Intellectual Property Rights) of any member of the Thales Group used exclusively in relation to the Business.

5.2 It is understood that if any property rights or other assets or rights of whatsoever nature are used in the Business as of the date hereof but are not used exclusively in the Business but rather are also used by a member of the Thales Group in connection with any other business ("Shared Assets")

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

such Shared Assets shall be dealt with in accordance with the provisions of Clauses 19.6 and 19.7, or clause 24 (as the case may be).

5.3 Thales covenants that it has the right to transfer or to procure the transfer of the legal and beneficial title to the Assets, free from Encumbrances and from all other rights exercisable by or claims by third parties other than the Cross Patents Licence Agreements and the IPR Licence, save only in the case of Contracts where express consent of the counterparty to such Contract is required for the transfer of such Contract.

5.4 Thales shall procure that the Companies shall sell, free from all Encumbrances and in accordance with the covenant contained at Clause 5.3 above, with effect from Completion the Business as a going concern and the Assets to the Purchasers as follows:

5.4.1 TCSL shall sell and the UK Purchaser shall purchase, the UK Business;

5.4.2 TCSA shall sell and the French Purchaser shall purchase, the French Business;

5.4.3 TCS GmbH shall sell and the German Purchaser shall purchase, the German Business;

5.4.4 TCS Inc shall sell and the US Purchaser shall purchase, the US Business;

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

5.4.5 Thales Electronics shall sell and Nice shall purchase the Assigned IPR and the rights under the Wordnet 3 Licence (subject to certain obligations in respect thereof).

5.5 In connection with the transactions contemplated by Clause 5.4 above, on or before Completion, the Purchasers shall enter into separate business transfer agreements in substantially the forms attached hereto as Schedules 15, 16 and 17 (each a "Business Transfer Agreement" and collectively the "Business Transfer Agreements") with respect to transferring the Business as a going concern and transferring the Assets, with only such modifications as are necessary in order to maintain substantially the same legal meaning and effect under local law as provided in this Agreement.

5.6 The parties acknowledge and agree that in the event of a conflict between the terms of this Agreement and the terms of any of the Business Transfer Agreements, the terms of this Agreement shall prevail.

6 LIABILITIES TO BE ASSUMED

6.1 The Purchasers shall assume responsibility as from Completion for the payment and performance of the Assumed Liabilities in accordance with Clause 6.2 and shall pay and discharge the Assumed Liabilities as the same fall due for payment and shall indemnify Thales, and the Companies against the Assumed Liabilities, and Thales declares itself to be trustee of the benefit of this Clause for itself and the Companies.

6.2 It is agreed that the Assumed Liabilities shall be assumed as follows:

6.2.1 the UK Purchaser shall assume the Assumed Liabilities relating to the UK Business;

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

6.2.2 the French Purchaser shall assume the Assumed Liabilities relating to the French Business;

6.2.3 the German Purchaser shall assume the Assumed Liabilities relating to the German Business;

6.2.4 the US Purchaser shall assume the Assumed Liabilities relating to the US Business; and

6.2.5 Nice shall assume the Assumed Liabilities relating to the Assigned IPR and the Wordnet 3 Licence (subject to the satisfaction of the Condition at Clause 2.1.2).

6.3 The Thales Group shall continue to be responsible for the Excluded Liabilities and shall promptly discharge all debts, liabilities and obligations in connection with the Excluded Liabilities and Thales shall indemnify the Purchasers against all Excluded Liabilities. Nothing in this Agreement shall make the Purchasers liable for or assume any liability for any act, neglect, default or omission in respect of any of the Contracts committed by the Thales Group or occurring before Completion or impose any obligation on the Purchasers for and in respect of any product delivered or service performed by the Thales Group in connection with the Business before Completion save in respect of:

(a) the obligations in respect of warranty work under clause 17.1;

(b) the obligations in respect of the provision of Additional Services under clause 17.2; and

Source: NICE SYSTEMS LTD, 20−F, June 26, 2003

(c) obligations for which a specific provision has been made in the Completion Balance Sheet but only to the extent of such provision.

7 PURCHASE PRICE

7.1 The Initial Purchase Price shall be the Initial Cash Consideration and the Share Consideration referred to in clauses 7.2.1 and 7.2.2 respectively subject to adjustment downwards under Clauses 13 and 7.7 below and subject to a further adjustment upwards pursuant to Clause 7.4 or downwards pursuant to Clause 7.5.

7.2 The Initial Purchase Price shall comprise and be satisfied as follows:

7.2.1 Cash consideration of $30,000,000 payable on Completion (the "Initial Cash Consideration"); and

7.2.2 Share consideration of 2,187,500 Nice Shares to be issued on Completion to Thales (the "Share Consideration").

7.3 The Purchasers and Thales shall each comply with their respective obligations in Schedule 21.

7.4 If the 2002 Sales shall exceed Euro 84,000,000 then Thales shall be entitled to a pro rata amount equal to the Sales Earn Out Amount, which shall be paid to Thales by Nice on behalf of the Purchasers in accordance with Clause 7.6 below.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

7.5 If the 2002 Sales shall be less than Euro 75,000,000 then the Purchasers shall be entitled to $3,000,000, which amount shall be paid by Thales to Nice (on behalf of the Purchasers) in accordance with Clause 7.6 below.

7.6 Any amount payable to either Thales or the Purchasers under Clauses 7.4 or 7.5 above, as the case may be, shall be paid on the later of (i) the date which is within 30 days of the publication by Nice of its audited accounts for the financial year ending 31 December 2002 and Nice shall procure the publication of such audited accounts no later than 31 March 2003 and (ii) 10 Business Days following the date upon which the 2002 Sales Statement is finally agreed or determined in accordance with Schedule 21. If payment is not made by Thales or Nice (as the case may be) on or before the due date for payment then interest shall accrue on the amount payable for the period from the due date to the date of actual payment at the rate of 2% above the base rate of Barclays Bank plc computed on a daily basis until and including the date of payment.

7.7 Price adjustment

7.7.1 If A (as defined below in this clause) is less than the Initial Purchase Price, then the Initial Purchase Price shall be subject to a downwards only adjustment if the value of the Cumulative Orders is lower than Euro 40 (forty) million, pursuant to the following formula:

$$A = \$70 \text{ (seventy) million} * \frac{\text{Cumulative Orders}}{40}$$

where:

A is the adjusted value of the Initial Purchase Price.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

7.7.2 Nice shall procure that the Purchasers' management shall, as promptly as practicable and in any event before or at the same time as the delivery of the draft Completion Balance Sheet pursuant to clause 13.2, prepare and deliver to Thales and to Nice a statement prepared in accordance with the provisions of Clause 7.7.6 showing the Cumulative Orders.

7.7.3 Thales and Nice shall then seek to agree the Cumulative Orders figure by following the same procedures and time limits as prescribed for agreeing the Completion Balance Sheet pursuant to Clauses 13.2 to 13.9.

7.7.4 To the extent the adjusted value of the Initial Purchase Price (determined in accordance with clause 7.7.1) is less than the Initial Purchase Price, the consideration shall be reduced by such amount and Thales shall pay such amount to Nice in accordance with Clause 7.7.5. If the adjusted value is greater than the Initial Purchase Price then the consideration shall not be subject to any adjustment pursuant to this provision.

7.7.5 Any payment from Thales to Nice pursuant to Clause 7.7.4 shall be made on the date of payment of any shortfall pursuant to clause 13.10 of this Agreement in relation to the Completion Balance Sheet. If there is no such payment required under clause 13.10, then payment under this clause 7.7.5 shall be made on the fifth Business Day after the date of determination or agreement of the Completion Balance Sheet. If payment under this clause is not made on or before the fifth Business Day after the date of determination or agreement of the Completion Balance Sheet, Thales shall, for the period from such date to the date of actual payment, pay to Nice in addition to the sum then payable, interest at the rate of 2% above the base rate of Barclays Bank plc computed on a daily basis until and including the date of payment.

7.7.6 The following shall qualify as Cumulative Orders for the purposes of the foregoing provisions of this Clause 7.7:

(a) a legally binding purchase order which constitutes an irrevocable, unconditional obligation of the party making the order at the price stated in the relevant order and such price is not subject to any rebate, discount or other deduction and the other terms and conditions do not materially differ from the Business' standard terms and conditions; or

(b) a letter of intent:

(i) which incorporates in reasonable detail the description of the products and services to be supplied and specifies the agreed price, such description and price being contained in the body of the letter of intent or by reference to a quotation from which such description and price can be clearly ascertained;

(ii) which is not inconsistent with past practice for the acceptance of letters of intent for the purpose of commencing the process for the fulfilment of an order; and

(iii) is confirmed by a legally binding purchase order (in accordance with part (a) above) within 30 days; or

(c) the letter of intent issued to TCS Inc. by iXP Corporation dated 28 June 2002 provided such letter of intent is confirmed by a legally binding purchase order (as described in paragraph (a) above) issued on or before 31 August 2002,

and for the avoidance of doubt no purchase order or letter of intent from any connected person shall qualify as a Cumulative Order. For the

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

purpose of calculating Cumulative Orders the amount of the order shall be taken net of tax, duties and excises.

7.8 In addition to the Initial Cash Consideration and the Share Consideration, Thales shall be entitled to up to a further $20,000,000 (twenty million US dollars) dependent on net sales of Prism to third parties by any member of the Purchaser's Group (but, for the avoidance of doubt, excluding Cliffstone) for the period from the Completion Date to 31 December 2004, in the amounts specified in the table set out in Schedule 21 (the "Earn Out Consideration") such amounts being payable in cash no later than 15 business days after publication by the board of the Purchasers of the audited accounts for the relevant period, on the basis that Nice shall procure the publication of such audited accounts by no later than the 31st March following the end of the relevant year. The revenue recognition policies governing the composition of Prism revenue shall be the revenue recognition policies of Nice and accordingly US GAAP as determined by Nice's external independent auditors.

7.9 Any payment by the Purchasers to Thales under this clause shall constitute a good discharge of the Purchasers' obligations under this clause and the Purchasers shall not be concerned to see that the monies paid are applied in paying Thales and members of the Thales Group in accordance with their respective entitlements.

7.10 The Initial Purchase Price and any other adjustments or payments made pursuant to Clauses 7.4 to 7.8, shall be apportioned in accordance with Schedule 2.

7.11 All payments referred to in this clause shall be made in immediately available funds in Dollars without any set-off, restriction or condition and without any deduction or withholding (save only as required by law) by a

CHAPS transfer to such account as Nice or Thales shall specify (as the case may be).

7.12 For United States federal income tax purposes, the payment payable to TCS, Inc. in accordance with the provisions of Clause 7 as such payment may be adjusted pursuant to the terms of such Clause, shall be allocated among the assets of the US Business in the manner set forth in Schedule 2. US Purchaser and Thales on behalf of itself and TCS, Inc. agree to act in accordance with such allocation in all tax returns, reports and filings and to complete and timely file Form 8594 pursuant to the provisions of Section 1060 of the Internal Revenue Code of 1986, as amended and the Treasury Regulations promulgated thereunder.

7.13 The parties agree that the allocation of specific amounts to each of the Assets, Cliffstone Shares and Cliffstone Note (as set out in Clause 7.10 above) is not to limit any such amount as is mentioned in Clause 7.12 above.

7.14 Thales hereby confirms that there is no contractual obligation, or any other obligations whatsoever, at the Completion Date on Thales or any of the Companies to Cliffstone other than those set out in the provisions of the Cliffstone Documents.

8 VAT

8.1 All payments made pursuant to this Agreement shall be exclusive of value added tax which shall (where applicable) be payable in addition to the payments in question.

8.2 The parties consider that the sale and purchase of the Assets and the Business (including the transaction pursuant to the IPR Licence Novation

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

Deed) from TCSL to the UK Purchaser falls within the provisions of Article 5 of the Value Added Tax (Special Provisions) Order 1995. TCSL shall use its reasonable endeavours to satisfy HM Customs & Excise that the sale and purchase and the foregoing agreements are treated as a transfer of a going concern ("TOGC") under that Article and accordingly neither as a supply of goods nor a supply of services and the UK Purchaser undertakes to provide such reasonable assistance and information to TCSL as may be reasonably necessary for that purpose.

8.3 If HM Customs & Excise determine in writing that VAT is payable on all or part of the consideration payable for the transfer of the Assets and the Business (including the transaction pursuant to the IPR Licence Novation Deed), from TCSL to the UK Purchaser pursuant to this Agreement and the IPR Licence Novation Deed the UK Purchaser upon receipt from TCSL of a copy of such written determination from HM Customs & Excise shall pay the amount of any VAT which may properly be chargeable on such sale of the Assets and the Business pursuant to this Agreement. If the ruling is received and it arises as a consequence of any breach by the UK Purchaser of the provisions of the Value Added Tax (Special Provisions) Order 1995, the UK Purchaser shall pay the amount of any VAT to TCSL on the later of:

8.3.1 the date prior to the last Business Day on which TCSL is liable to account to HM Customs & Excise for such VAT without incurring a potential liability to penalties and interest; and

8.3.2 the date which is five Business Days after the delivery of a valid tax invoice containing the particulars prescribed in Regulation 14 of the Value Added Tax (General) Regulations 1995 (as amended).

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

8.4 Where HM Customs & Excise determine that the sale and purchase of the Assets and the Business (including the transaction pursuant to the IPR Licence Novation Deed) pursuant to this Agreement was not a TOGC as a result of a breach of the provisions of the Value Added Tax Act (Special Provisions) Order 1995 by TCSL, the UK Purchaser shall pay the amount of any VAT to TCSL no later than five working days after the date upon which the UK Purchaser has received an equivalent amount by way of recovery of input tax from HM Customs & Excise and/or by way of reduction in its liability to output tax.

8.5 If, for any reason whatsoever, Nice or any Purchaser omits to take any action required of it under the terms of this Agreement to ensure that all or part of the transfer of the Business (including the transaction pursuant to the IPR Licence Novation Deed) represents the transfer of a going concern for the purposes of VATA or if Nice or the UK Purchaser takes any action at any time which results in all or part of the transfer being subject to VAT, Nice will pay to Thales upon demand the amount of any related assessment for penalties and/or interest which may be issued by Customs & Excise to TCSL under the provisions of the aforementioned act as a consequence of its failure to account for VAT due upon the transfer.

8.6 Thales warrants that:

8.6.1 neither TCSL nor any relevant associate defined in paragraph 3 of Schedule 10 VATA has made an election to waive exemption in relation to any of the Business Properties pursuant to the provisions of paragraph 2 of Schedule 10 VATA and neither it nor any relevant associate has or will make such an election on or before Completion other than pursuant to Clause 8.7. If, subsequently, it transpires that TCSL or any relevant associate has made an election in relation to any of the Business Properties (other than pursuant to Clause 8.7) pursuant to the provisions of paragraph 2 of Schedule 10

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

VATA on or before the earlier of payment of a deposit or Completion, and as a consequence VAT becomes chargeable on any of the Business Properties (other than the Hedge End Property pursuant to Clause 8.7), TCSL will deliver a valid tax invoice to the UK Purchaser containing the particulars prescribed in Regulation 14 of the Value Added Tax Regulations 1995. Upon receipt of the valid tax invoice the UK Purchaser shall pay the amount of any VAT to TCSL or any relevant associate no later than five working days after the date upon which the UK Purchaser has received an equivalent amount by way of recovery of input tax from HM Customs & Excise and/or by way of reduction in its liability to output tax. TCSL or any relevant associate will indemnify the UK Purchaser from any penalties, surcharges or interest incurred by the UK Purchaser which arise as a result of any amount of VAT that is subsequently determined to be chargeable on any of the Business Properties (other than the Hedge End Property pursuant to Clause 8.7) or the relevant part thereof;

8.6.2 recovery of input tax by TCSL in respect of any of the Assets is not subject to the provisions contained in Part XIV or XV of the Value Added Tax Regulations 1995 (SI 1995/2518); and

8.6.3 it is registered for VAT as a group registration in which TCSL is part under registration number 198955680.

8.7 It is intended that Thales Properties Limited will prior to Completion make an election to waive exemption in relation to the Hedge End Property and will notify HM Customs & Excise of such election pursuant to paragraphs

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

2 and 3 of Schedule 10 of VATA and has not and will not revoke such election prior to Completion.

8.8 If after the UK Purchaser has paid an amount in respect of VAT pursuant to this Agreement, HM Customs & Excise determine that such VAT was not actually payable, then:

8.8.1 TCSL will repay such amount to the UK Purchaser no later than five Business Days after the date of receipt of such written determination from HM Customs & Excise; or

8.8.2 if TCSL has already accounted for such amount in respect of VAT at the time it receives such determination, TCSL shall reclaim such amount from HM Customs & Excise and repay such amount to the UK Purchaser on receiving repayment of or obtaining credit in respect thereof no later than five Business Days after the date of receipt of the repayment or the obtaining of the credit.

8.9 TCSL hereby undertakes to deliver to the UK Purchaser at Completion all VAT records relating to the Business referred to in Section 49 VATA 1994. The UK Purchaser shall preserve such records for such period as may be required by law, and shall allow TCSL on reasonable notice, to inspect and take copies thereof.

9 COMPLETION

9.1 Time and Place of Completion

Completion of the sale and purchase of the Cliffstone Shares, Cliffstone Note, the Business and Assets shall take place at the offices of the

Purchasers' Solicitors on the third Business Day following satisfaction in accordance with this Agreement of the last outstanding Condition, as set out in Clause 2, or at such other date and place as may be agreed in writing between Thales and Nice.

9.2 Thales' Completion Obligations

At Completion Thales shall deliver or shall procure the delivery to the Purchasers (or to the Purchasers' authorised representatives in the relevant jurisdiction of the Companies or the Business) of:

9.2.1 certificates representing the Cliffstone Shares accompanied by all instruments necessary to duly transfer all rights, title and interest therein to the UK Purchaser, the Cliffstone Note duly executed by Thales TRC Inc. in favour of the US Purchaser;

9.2.2 any waivers, consents, stock powers or other documents which may be necessary to enable the UK Purchaser to be registered as the holder of the Cliffstone Shares and the US Purchaser to be registered as the holder of the Cliffstone Note;

9.2.3 Cliffstone's consent in regard to the Investor Rights Agreement (referred to in the definition of the Cliffstone Documents) being obtained in relation to the transfer of Cliffstone Shares and any consent required by the Credit Agreement (referred to in the Cliffstone Documents) for the transfer of the Credit Agreement;

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

9.2.4 (a) the IPR Licence Novation Deed duly executed as at Completion by TCSL and Thales Electronics; and

(b) the IPR Assignment duly executed by Thales Electronics and Thales assigning the Assigned IPR and the rights under the Wordnet 3 Licence (subject to the obligations set out therein) to Nice;

(c) an assignment (accompanied by written evidence of Cliffstone's consent to such assignment incorporating the amendment referred to below) or novation from TCSL in favour of Nice of the Reseller Agreement together with either an amendment deleting the non-compete obligation under clause 2.5 (final sentence) of the Reseller Agreement with effect from the date of assignment or novation of the Reseller Agreement to Nice or an irrevocable waiver of such obligation in favour of Nice and all members of the Purchaser's Group but otherwise on the same terms as the existing Reseller Agreement (as disclosed under the Disclosure Letter).

9.2.5 the Transitional Services Agreement duly executed as at Completion by Thales and/or, the relevant Thales Affiliates;

9.2.6 a certified copy extract of the minutes of the meeting of the board of directors of Thales TRC Inc authorising the

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

sale of the Cliffstone Shares and the Cliffstone Note, together with a certified copy of the certificate of incorporation, by-laws and other Charter documents of Thales TRC Inc.;

9.2.7 a certified copy of the minutes of the meeting of the boards of directors of each of the Companies authorising if necessary the sale of the Business and Assets in accordance with the terms of this Agreement;

9.2.8 a certified copy extract of the minutes of the board of Thales granting to Denis Ranque as Chairman of Thales' Board of Directors the power to bind Thales, which shall by reference to French corporate law include the authority to enter into this Agreement;

9.2.9 the Assets which are capable of transfer by delivery with the intent that title in such Assets shall pass by such delivery;

9.2.10 the financial statements more specifically described in Clause 10.6;

9.2.11 a letter from Thales to Nice confirming that the Companies have complied in all material respects with their obligations under the Transfer Regulations qualified only by (i) reference to the information provided by Nice to Thales in respect of the post Completion steps to be taken by the Purchasers in respect of the Business; and (ii) the fact that the parties have agreed that no steps towards fulfilment of the obligations of Thales or any of the

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

Companies under the Transfer Regulations have been initiated prior to the date of this Agreement;

9.2.12 a letter from Thales to Nice confirming that from the date of this Agreement to Completion, the Thales Group and the Companies have complied with the obligations and covenants set out at clauses 10.1, 10.2, 10.4 and 10.5 of this Agreement;

9.2.13 such other documents as may reasonably be required by the Purchasers (on reasonable notice and in any event by no later than twenty one days prior to Completion) to be produced at Completion to complete (subject to obtaining relevant consents) the sale and purchase of the Assets and the Business and vest title in such in the Purchasers (or as Nice may direct) together with all deeds and documents of title relating thereto;

9.2.14 the duly executed documents to be entered into by Thales and the Companies and evidence of satisfaction of the other requirements in relation to the sale of the US Business, the French Business and the German Business as set out in Schedule 10; and

9.2.15 the Thales representation letter to PricewaterhouseCoopers in relation to the Accounts Combination Statement in the agreed terms.

9.3 Nice's Completion Obligations

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

9.3.1 On satisfaction of the obligations of Thales under Clause 9.2 Nice shall pay on behalf of itself and the relevant Purchasers to Thales on behalf of the Companies and Thales Electronics the Initial Cash Consideration (apportioned in accordance with Schedule 2).

9.3.2 On Completion, payment by the Purchasers to Thales Electronics of the Initial Cash Consideration in accordance with Clause 9.3.1 shall be made to the following account:

Bank: Barclays Bank plc

Sort Code: GB 20-00-00

Account name: Thales Electronics Plc

Account No: 00732095

Swift: BARCGB22

the receipt of which by Thales shall be a good discharge to the Purchasers.

9.3.3 On Completion, following satisfaction of the obligations of Thales under clause 9.2, the Purchasers shall deliver to Thales the Share Consideration as follows:

(a) certificates representing the Nice Shares comprised in the Share Consideration, duly executed for issuance to Thales or as Thales shall direct, subject to restrictions on transfer consistent with this Agreement and applicable securities laws and marked with legends regarding such restrictions; and

(b) any waivers, consents or other documents

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

which may be necessary to enable Thales to be registered as the holder of the Nice Shares comprised in the Share Consideration.

9.3.4 On Completion, following satisfaction of the obligations of Thales under clause 9.2, the Purchasers shall deliver to Thales certified copies of resolutions of the board of directors of each of the Purchasers approving the contents of this Agreement and the documents referred to in it and authorising the entry into it and of the other documents referred to in it in accordance with the terms of this Agreement.

9.3.5 On Completion, following satisfaction of the obligations of Thales under clause 9.2, Nice shall procure that two persons nominated by Thales are appointed to the board of directors of Nice in accordance with paragraph 3 of Schedule 11.

9.3.6 On Completion Nice shall deliver to Thales a letter from Nice to Thales confirming that from the date of this Agreement to Completion, Nice and the Purchasers have complied with the obligations and covenants set out at clauses 10.5 and 10.7 of this Agreement.

9.3.7 On Completion Nice shall deliver to Thales the duly executed documents to be entered into by the Purchasers in relation to the purchase of the US Business, the French Business and the German Business.

9.4 Interdependence of Obligations

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

9.4.1 The obligations of the parties in relation to Completion are interdependent so that neither Thales nor the Purchasers shall be obliged to proceed to complete if any of the obligations of the other party set out in this Clause 9 are not satisfied and completed simultaneously.

9.4.2 All actions at Completion take place simultaneously and no delivery or payment is to be taken to have been made until all deliveries and payments have been made.

9.5 Default in Completion

If without the written agreement of Nice and Thales Completion is not effected by either of them, whether pursuant to Clause 9.4 or otherwise, the following provisions shall apply:

9.5.1 either Thales or Nice may at any time thereafter serve on the other of them notice in writing (a "Completion Notice") to effect Completion within 10 Business Days, but notice shall be effective only if the party serving it is at the time of the service either in all respects ready, able and willing to proceed to effect Completion in accordance with the notice or is not so ready, able and willing to effect Completion only by reason of the default or omission of the other party;

9.5.2 Upon service of a Completion Notice, the party on which the notice is served shall effect Completion (or procure that Completion is effected) within 10 Business Days after the date of service of the notice (excluding the day of notice) and in respect of that time shall be of the essence;

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

9.5.3 If the party on which the Completion Notice is served does not comply with the terms of a Completion Notice, then the party which has served the Completion Notice without prejudice to any of its rights or remedies available under this Agreement or at law or in equity, may:

(a) institute proceedings for specific performance; or

(b) rescind this Agreement and institute proceedings for damages;

9.5.4 the party serving a Completion Notice may at the request or with the written consent of the other party (but shall not be required to) extend the term of the notice for one or more specifically stated periods of time and the term of the Completion Notice shall then be deemed to expire on the last day of the extended period or periods and it shall operate as though this Clause stipulated such extended period(s) of notice in lieu of the period otherwise applicable, and time shall be of the essence of this Agreement accordingly. An extension may be given either before or after the expiry of the period of the notice; and

9.5.5 nothing in this Clause shall preclude a party from suing for specific performance without giving a Completion Notice.

9.6 If Completion does not take place on or before the date fixed for Completion in accordance with Clause 9.1 (the "Original Completion Date") due to

Source: NICE SYSTEMS LTD, 20−F, June 26, 2003

default by the Purchasers, the Purchasers shall, for the period from the Original Completion Date to the date of the actual payment, pay to Thales in addition to the sum then payable on account of the Initial Purchase Price, interest at the rate of 2% above the base rate of Barclays Bank plc on the unpaid balance of the sum then payable on account of the Initial Purchase Price computed on a daily basis from and including the Original Completion Date until and including the date of payment.

10 CONDUCT OF THE BUSINESS PRIOR TO COMPLETION

10.1 Pending Completion Thales shall procure that the Thales Group shall only carry on the Business in the usual and ordinary course consistent with prior practice so as to maintain the same as a going concern (using all reasonable endeavours to protect and preserve the Business, the Assets, customer and supplier relations, employee relations, and organisation), and shall not make (or agree to make) any payment other than routine payments in the ordinary and usual course of trading and shall ensure that without the written consent of Nice (such consent not to be unreasonably withheld or delayed taking into account the best commercial interests of the Business as carried on at the date of this Agreement) and except as expressly provided for in this Agreement:

10.1.1 there will be no material change, other than changes in the ordinary day-to-day course of business consistent with prior practice, in the assets or liabilities of the Business;

10.1.2 there will be no discontinuation or cessation of, or disposition or other dealing with, any material part of the Business and/or Assets;

10.1.3 the Companies will not make any expenditure of a capital nature:

(a) on any single item over (pound)10,000; or

(b) in aggregate over (pound)50,000.

10.1.4 there will be no creation, grant or issue or agreement to create, grant or issue any Encumbrance (other than liens arising by operation of law) over any of the Assets;

10.1.5 no contracts will be entered into which are abnormal or unusually onerous in any material respect;

10.1.6 no contracts will be entered into the term of which extends more than 12 months beyond the Completion Date;

10.1.7 no contracts will be entered into which have a value (measured by cost or revenue) which could exceed(pound)100,000;

10.1.8 there will be no agreement to terminate or materially vary any contract having an outstanding value in excess of (pound)50,000 and no agreement to terminate or vary any other contract other than in the ordinary course of business;

10.1.9 no change will be made to the terms and conditions of employment of the Employees which is material in aggregate and no material change will be made to the terms and conditions of employment of an individual Key Employee;

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

10.1.10 no new employee whose basic salary would exceed (pound)30,000 per annum will be employed and no Employee whose basic salary exceeds (pound)30,000 per annum will be dismissed;

10.1.11 there will be no acquisition or disposal of any interest in any real property or grant of any lease agreement, tenancy or licence or third party right or other dealing in respect of any of the Business Properties;

10.1.12 no material change will be made in the practices of ordering supplies and raw materials, shipping finished goods, invoicing customers and collecting debts to those adopted in relation to the Business prior to execution of this Agreement;

10.1.13 no change will be made to the Instem Contracts;

10.1.14 no licence, sub-licence, assignment or other agreement in respect of or affecting any of the Business IPR will be entered into save for licences and/or sub-licences of Business IPR entered into in the ordinary course of the Business;

10.1.15 no new contracts will be entered into in respect of Intellectual Property Rights which would be material to the Business;

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

10.1.16 save for debt recovery actions which are instituted in accordance with and carried out in a manner consistent with the previous practice of the Companies in connection with the Business, no litigation or arbitration in relation to the Business or Assets will be instituted; and

10.1.17 no agreement, conditional or otherwise, to do any of the foregoing shall be made.

10.2 Thales undertakes that it shall not enter into any negotiations or discussions either directly or indirectly relating to the sale of the Companies or the Business or any part thereof pending Completion or provide any information relating to the Companies or the Business to any third party for the purpose of enabling any party other than the Purchasers to assess a potential acquisition of the Companies or the Business or any part thereof.

10.3 In order to facilitate observance of the provisions of this Clause 10 the Purchasers nominate Koby Huberman (telephone number: 972 9775 3522) (facsimile number 972 9775 3520) as the point of contact for the Companies for the period pending Completion. All matters requiring the consent of Nice pursuant to this Clause 10 shall be addressed to Koby.Huberman@nice.com, cc: Meni.gal@nice.com. For the avoidance of doubt, Thales shall not be liable to the Purchasers under this Agreement or otherwise, either for any action taken with the prior written approval of Nice or for any action taken in the absence of a written consent or written refusal of consent, provided such action is taken:

(a) more than 24 hours following a request for consent to the relevant action has been submitted to Koby Huberman and no written objection or refusal to consent has been received by Thales when the matter is both urgent in nature (other than as

a result of delay on the part of Thales or the Companies) and indicated as such on the relevant request for consent; or

(b) in any other case, more than five Business Days following a request for consent to the relevant action has been submitted to Koby Huberman and no written objection or refusal to consent has been received by Thales.

10.4 Between the date of this Agreement and Completion Thales shall and shall procure that the Companies shall:

10.4.1 supply to the Purchasers all such information and documents in relation to the Business as the Purchasers or their representatives may from time to time reasonably request; and

10.4.2 maintain all insurance coverage in effect as disclosed to the Purchasers; and

10.4.3 as soon as reasonably practicable give written notice to Nice of the occurrence of any event which results or may result in any of the Warranties being or becoming incorrect,

provided that nothing in this Clause 10 shall require Thales or the Companies to disclose to Nice or any Purchaser information relating to bids, tenders and/or proposals on which it is reasonably expected that Nice or any Nice Affiliate may have an interest in a competitive bid, tender or proposal.

Source: NICE SYSTEMS LTD, 20−F, June 26, 2003

10.5 As from the date of this Agreement, Thales will give to nominated and agreed representatives of the Purchasers such access to the Business Properties and the Key Employees and to any other premises from which the Business is carried on, managed or administered as the Purchasers may reasonably request on reasonable notice and during normal business hours and such information and assistance as may be necessary to enable the Purchasers to monitor the Business, PROVIDED ALWAYS THAT the Purchasers shall not communicate with employees (other than the Key Employees), customers of or suppliers to the Business without the prior written consent (such consent not to be unreasonably withheld) of Thales. Requests made by Nice pursuant to this clause shall be addressed to Jim Park (telephone: 08707 224000) (email: jim.park@thales-cs.com) whose consent shall be taken to be the consent of Thales for the purpose of this Clause.

10.6 Between the date of this Agreement and Completion, Thales, at its own expense, shall provide Nice with the audited Carved-Out Accounts (prepared in accordance with US GAAP), audited and unaudited financial statements relating to the Business consisting of (a) an audited statement of assets acquired and liabilities assumed as of December 31, 2001 and 2000 and audited statements of operations and changes in cash flow for each of the two years ended December 31, 2001, and (b) unaudited statements of assets acquired and liabilities assumed as of June 30, 2002 and June 30, 2001, and unaudited statements of operations and changes in cash flow for the six months ended June 30, 2002 and 2001, in such form as may be required by Rule 3-05 or Article 11 of Regulation S-X promulgated under the United States federal securities laws, in connection with the preparation and filing of any registration statement or periodic report by Nice, including reports with respect to the two fiscal years of the Business ended December 31, 2001 of independent public accountants, and following the Date of Completion Thales shall, at its own expense cause its auditors to furnish, upon request by Nice, (a) any accountants' consents required to effect one or more SEC filings of such statements within the three year period following Completion, and (b) any "comfort letter", in form and substance consistent

with those generally provided by US auditing firms, reasonably requested by an underwriter of Nice securities in connection with a public offering or Rule 144A offering of Nice securities being effected within the three year period following Completion.

10.7 Between the date of this Agreement and the first to occur of (i) Completion, or (ii) 30 November 2002, Nice shall not:

(a) complete any registered public offering of its Ordinary Shares or ADRs in the US or Israeli public securities markets; or

(b) issue any of its Ordinary Shares or ADRs (or securities convertible into or exercisable for its Ordinary Shares or ADRs) in an unregistered private placement for cash in which the net proceeds to Nice from the sale of such securities exceed $1,000,000 and in which the purchasers of the securities obtain (through US SEC registration or otherwise) securities which are freely transferable under the US or Israeli securities laws within less than 12 months of Completion (excluding any financing or business transactions, such as debt financings or commercial arrangements, in which the issuance of such securities for cash is not the primary purpose of the transaction).

10.8 Thales shall, at its own expense, procure that all Intellectual Property Rights owned by TCS GmbH and TCSA are assigned to TCSL between the date of this Agreement and Completion but in any event prior to the date on which the Thales IPR Assignment is entered into.

10.9 Nice undertakes to Thales to put in place, with effect from Completion, an incentive program for the Key Employees to incentivise the maximisation of 2002 Sales (the "Program"). The Program shall provide staged and

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increasing incentives for the achievement of minimum 2002 Sales of EUR75,000,000 and 2002 Sales reflecting the 2002 Sales ranges set out at paragraph 3 of Schedule 21. It is agreed that the Program will limit the incentives available to double the commissions to which the Key Employees are currently entitled and that the Program should make it clear that no commissions shall be paid on sales which are outside the current ordinary course of the Business in terms of discounting of pricing and terms of orders and contracts. Nice shall only pay commissions relating to revenue included in the 2002 Sales Statement in respect of the period from Completion to 31 December 2002. Details of such program shall be communicated for approval to Thales by Nice within two (2) weeks from the signature of this Agreement.

11 INDEMNITIES

11.1 Thales shall indemnify and keep indemnified and hold harmless the Purchasers (and, to the extent relevant, any other member of the Purchasers' Group) on demand in respect of (a) damages awarded by way of final judgment; (b) compensation paid on final settlement; (c) reasonable legal costs and expenses; (d) reasonable sums paid to third parties in order to obtain a licence to avoid infringement; (e) reasonable sums incurred in respect of, and other reasonable costs of, development work to avoid infringement; and (f) any other reasonable costs incurred to mitigate the effect of the infringement suffered or incurred by the Purchasers (or any other member of the Purchasers' Group) arising from or in connection with any claim that the Prism Product and any variation or modification or subsequent version thereof save as set out below or its supply, production, sale, licensing, distribution or use infringes any third party Intellectual Property Rights, save as follows:

(a) to the extent that such infringement results from a modification or variation or subsequent version of the Prism Product from the form it was in at Completion or from any use or combination of the Prism Product with

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any other item of hardware, software or other item with which it was not used or combined at the date of Completion and where no finding of infringement would have occurred were it not for such modification, variation, subsequent version, use or combination; or

(b) to the extent that any sums claimed are increased as a result of a modification or variation or subsequent version of the Prism Product from the form it was in at Completion or from any use or combination of the Prism Product with any other item of hardware, software or other item with which it was not used or combined at the date of Completion; or

(c) to the extent that the infringement arises from a claim brought against the Purchasers (or any other member of the Purchasers' Group) by Cliffstone in relation to a breach or termination of the Reseller Agreement by the Purchasers (or any member of the Purchasers' Group) such breach occurring after Completion; and

(d) provided always that Nice (or any member of the Purchasers' Group) has used all reasonable commercial endeavours to procure that Cliffstone procures the right for Nice (or such other member of the Purchasers' Group) to continue to market the Prism Product or modify it so that it becomes non-infringing (as set out in the Reseller Agreement).

11.2 Thales shall indemnify and keep indemnified and hold harmless the Purchasers (and, to the extent relevant, any other member of the Purchasers' Group) on demand in respect of (a) damages awarded by way of final judgment; (b) compensation paid on final settlement; (c) reasonable legal costs and expenses; (d) reasonable sums paid to third parties in order to obtain a licence to avoid infringement; (e) reasonable sums incurred in respect of, and other reasonable costs of, development work to avoid

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infringement; and (f) any other reasonable costs incurred to mitigate the effect of the infringement suffered or incurred by the Purchasers (or any other member of the Purchasers' Group) arising from or in connection with:

11.2.1 any claim that any of the products or systems developed by or for the Companies or used exclusively in the Business which embody the use of the Business IPR and which are used in or offered for sale or licensed by the Business at Completion (and any variation, modification or subsequent version thereof save as set out below) or their supply, production, sale, licensing, distribution or use infringe any third party Intellectual Property Rights; or

11.2.2 any breach of Warranty 8.1 as it relates to ownership of Business IPR save as follows:

(a) to the extent such infringement results from a modification or variation or subsequent version of the products or system from the form they were in at Completion or from any use or combination of them with any other item of hardware, software or other item with which they were not used or combined at the date of Completion and where no finding of infringement would have occurred were it not for such modification, variation, subsequent version, use or combination; or

(b) to the extent that any sums claimed are increased as a result of a modification or variation or subsequent version of the

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productsor systems from the form they were in at Completion or from any use or combination of them with any other item of hardware, software or other item with which they were not used or combined at the date of Completion; or

(c) to the extent that the infringement arises as a result of the fact that, as a result of the act or omission of the Purchaser (or any other member of the Purchasers' Group), the Purchaser (or any other member of the Purchasers' Group) no longer has, after Completion, the benefit of any Intellectual Property Rights which were licensed for use in the Business at Completion, save where Thales or any member of the Thales Group is in breach of Warranties 8.2, 8.3 or 8.6.

11.3 To the extent that the Purchasers fail to recover any losses, liabilities, claims, demands, damages, costs and expenses (including legal expenses) from Origin Data Realisation Limited ("Origin"), Thales shall indemnify and keep indemnified and hold harmless the Purchasers (and, to the extent relevant, any other member of the Purchasers' Group) on demand in respect of (a) damages awarded by way of final judgment; (b) compensation paid on final settlement; (c) reasonable legal costs and expenses; (d) reasonable sums paid to third parties in order to obtain a licence to avoid infringement; (e) reasonable sums incurred in respect of, and other reasonable costs of, development work to avoid infringement; and (f) any other reasonable costs incurred to mitigate the effect of the infringement suffered or incurred by the Purchasers (or any other member of the Purchasers' Group) arising from or in connection with any claim that the "Wordnet 3" product developed under the Wordnet 3 Licence (in the current version existing at the date of

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Completion and any variation or modification or subsequent version thereof save as set out below) or its supply, production, sale, licensing, distribution or use, infringes any third party Intellectual Property Rights save as follows:

(a) to the extent that such infringement results from a modification or variation or subsequent version of the Wordnet 3 product from the form it was in at Completion or from any use or combination of the Wordnet 3 product with any other item of hardware, software or other item with which it was not used or combined at the date of Completion and would not have occurred were it not for such modification, variation, subsequent version, use or combination; or

(b) to the extent that any sums claimed are increased as a result of a modification or variation or subsequent version of the Wordnet 3 product from the form it was in at Completion or from any use or combination of the Wordnet 3 product with any other item of hardware, software or other item with which it was not used or combined at the date of Completion; or

(c) to the extent that the infringement arises from a claim brought against the Purchasers (or any member of the Purchasers' Group) by Origin in relation to a breach or termination of the Wordnet 3 Licence; and

(d) provided always that Nice (or any other member of the Purchasers' Group) has exhausted all contractual remedies which it has against Origin under the terms of the Wordnet 3 Licence.

11.4 In respect of any claim that the Third Party Licensed IPR, in whole or in part or in any combination, or any products, technology or processes which utilise any of the Third Party Licensed IPR, infringe any third party Intellectual Property Rights, to the extent that Thales currently has the benefit of any indemnity, warranties or other equivalent protection from a licensor under

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any third party agreement relating to any Third Party Licensed IPR, Thales subject as provided below shall indemnify and keep indemnified and hold harmless the Purchasers (and, to the extent relevant, any other member of the Purchasers' Group) on demand in respect of any losses, liabilities, claims, demands, damages, costs and expenses (including legal expenses) ("Loss") arising from or in connection with such claims. The indemnity given by Thales under this clause 11.4 shall only apply:

(a) where the third party agreement falls to be assigned or novated in favour of the Purchaser (or any other member of the Purchasers' Group) and such assignment or novation has not been perfected but notwithstanding the foregoing the Purchaser (or any other member of the Purchasers' Group) is entitled to exercise rights under such third party agreement;

(b) to the extent that Thales is able to recover such Loss from the licensor under the terms of its agreement with the licensor; and

(c) until such time as the benefit of such indemnity, warranties or other equivalent protection has passed to the Purchasers (or any other member of the Purchasers' Group) under this Agreement,

Thales shall only be obliged to pay such money to the Purchasers (or any other member of the Purchasers' Group) under this Clause as and when it receives money from the licensor. The Purchasers shall have the right to conduct proceedings in respect of any such claim in the name of Thales, subject to the Purchasers giving Thales an indemnity as to costs in connection with such claim conducted by the Purchasers.

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11.5 Thales agrees to indemnify and keep indemnified and hold harmless Nice, the Purchasers or any member of the Purchaser's Group in respect of any losses, liabilities, claims, demands, damages, costs and expenses (including legal expenses) reasonably incurred arising from, or in connection with, any sums claimed by SMRC (formerly Maroc-Aviation) of Morocco ("SMRC") from TCSL in respect of any acts or omissions of TCSL in respect of the contract between TCSL, SMRC and the Moroccan Ministry of Transport for the supply of Wordnet with radar.

11.6 Thales shall indemnify and keep indemnified and hold harmless the Purchasers (and, to the extent relevant, any other member of the Purchaser's Group) on demand in respect of any losses, liabilities, claims, demands, damages, costs and expenses (including legal expenses) reasonably incurred arising from or in connection with any claim by Natural MicroSystems Europe S.A, Natural MicroSystems Corporation ("NMS") against the Purchasers arising from or related to any claim by NMS covering the subject matter of those claims of NMS detailed in the Disclosure Letter and relating to the Professional Services Agreement dated 23 June 2000 for the development of DETs board and its associated software and the Professional Services Agreement dated 8 March 2001.

11.7 Thales shall indemnify and keep indemnified and hold harmless the Purchasers (and, to the extent relevant, any other member of the Purchasers' group) on demand in respect of:

(a) any Taxation, losses, liabilities, claims, demands, damages, costs and expenses (including legal expenses) arising from or in connection with any breach of Warranty 17.17 (compliance with applicable Taxation laws and regulations); and

(b) any Taxation in respect of the Business, the Assets or the Employees arising in respect of:

(i) periods ending on or before Completion;

(ii) transactions effected or deemed to have been effected on or before Completion;

(iii) income, profits or gains earned, accrued or received on or before Completion; or

(iii) payments made on or before Completion together with any costs and expenses (including legal expenses) incurred in enforcing the indemnity contained in this clause 11.7.

12 RELEASE OF GUARANTEES

The Purchasers shall promptly after Completion and with effect from Completion, procure the release of Thales, or any Affiliates of Thales (as the case may be), from all of its or their respective obligations, duties and liabilities whatsoever in respect of the Guarantees where the liability guaranteed is an Assumed Liability and pending such release Nice hereby undertakes that it will indemnify Thales and/or any relevant Affiliate of Thales and keep it (or them) indemnified against all damages, costs, expenses or other liabilities suffered or incurred by it (or them) in relation to any of the Guarantees where the liability guaranteed is an Assumed Liability.

13 COMPLETION BALANCE SHEET

13.1 On the Completion Date or at such earlier time as agreed between Nice and Thales, Thales or its representatives will pull and assemble the Inventory for counting. Nice and/or its representatives will conduct a comprehensive physical stock take of the Inventory and Thales and/or its representatives will sign off on each count made by Nice. Nice shall produce a report setting out the counted number of each Inventory item. Such report will also set out the aggregate value of the Inventory which shall be included in the Completion Balance Sheet prepared by the Purchasers' management and audited by the

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Auditors pursuant to clause 13.2 below. If Thales and Nice are unable to agree upon the physical stock take within 10 Business Days of Completion, the matter shall be submitted for adjudication by the Independent Accountants.

13.2 Subject to determination of the stock take pursuant to Clause 13.1, Nice shall procure that the Purchasers' management shall, as promptly as practicable, and in any event within 60 (sixty) days following the determination of the physical stock take ("the First Period"), prepare and deliver to Thales and to Nice a draft of the Completion Balance Sheet together with a draft certificate (the "Auditors' Certificate") in the form set out in Part E of Schedule 9 addressed to Thales and to Nice stating that the Completion Balance Sheet (from which the NAV Statement shall be determined) has been prepared in accordance with this Agreement.

13.3 Thales and Nice shall attempt to agree the draft Completion Balance Sheet as soon as possible and in any event within 30 (thirty) days (hereinafter the "Second Period") after receipt of the same under Clause 13.2.

13.4 During the Second Period, Thales' accountants shall be entitled to call for and inspect such documents as they shall reasonably consider necessary.

13.5 Unless within the Second Period Thales notifies Nice in writing (setting out the adjustments, if any, which it proposes should be made to the draft Completion Balance Sheet) the draft Completion Balance Sheet shall be deemed to be agreed and shall, save in the event of fraud or manifest error, become final and binding on Thales and Nice for the purposes of this Agreement.

13.6 If by the end of the Second Period the draft Completion Balance Sheet has not been agreed, Thales shall meet with Nice so as to resolve in good faith

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any differences within the following 7 (seven) days (the "7 Day Period"). After the expiry of the 7 Day Period either Nice or Thales may refer the matters in dispute to the Independent Accountants. The Independent Accountants shall agree, amend or prepare the Completion Balance Sheet and determine the Net Asset Value but always in accordance with the Accounting Principles insofar as not otherwise agreed in accordance with the provisions of this Clause 13. The Independent Accountants shall be entitled to call for and inspect such documents as they shall reasonably consider necessary. The determination prepared by the Independent Accountants shall be delivered to Thales and Nice within 30 days of such submission to the Independent Accountants and shall (save in respect of manifest error) be final and binding on Thales and Nice for the purposes of this Agreement and the Independent Accountants shall act as experts and not as arbitrators. In acting under this clause 13.6, the Independent Accountants shall be entitled to the privileges and immunities of arbitrators. Thales and Nice shall act in good faith towards each other regarding such application and in particular shall endeavour with reasonable expedition to settle the terms of reference of the Independent Accountants.

13.7 Thales shall pay the charges of Thales' Accountants and Nice shall pay the charges of the Auditors in respect of work carried out pursuant to the provisions of this Clause and the charges of the Independent Accountants (if appointed) shall be apportioned between Thales and Nice in such proportions as the Independent Accountants may determine in the light of the merits of the objections taken by (or on behalf of) Thales to the physical stock take pursuant to Clause 13.1 or to the Completion Balance Sheet in the form despatched pursuant to Clause 13.2 as the case may be.

13.8 Thales and Nice shall respectively procure, so far as they are able, that the Companies, the Purchasers, the Auditors and Thales' Accountants respectively shall give each other and to the Independent Accountants access to all of their working papers or other information used as a basis for preparing the Completion Balance Sheet and access to personnel as may

reasonably be required for the purposes of considering and agreeing the Completion Balance Sheet.

13.9 Upon the Completion Balance Sheet having become final and binding pursuant to this Clause 13 (save in respect of fraud or manifest error), Nice shall procure that the Auditors' Certificate is finalised and signed and no right of appeal shall be competent with regard thereto, and neither Thales nor Nice nor the Independent Accountants shall be entitled to appeal or state a case either on a point of law or fact with regard thereto, to any court.

13.10 If the Completion Net Asset Value is less than the NAV Target, the amount of the consideration shall be reduced by an amount equal to the shortfall and Thales shall pay to Nice the amount of any shortfall. If the Completion Net Asset Value is more than the NAV Target then the consideration will not be subject to any adjustment. Any such payment shall be made on or before the fifth Business Day after the date of determination or agreement of the Completion Balance Sheet and shall be made without set-off, counterclaim, withholding or other deduction (save as required by law). If such payment is not made on or before the fifth Business Day after the date of determination or agreement of the Completion Balance Sheet, Thales shall, for the period from such date to the date of actual payment, pay to Nice in addition to the sum then payable, interest at the rate of 2% above the base rate of Barclays Bank plc computed on a daily basis until and including the date of payment. Payment shall be made in US Dollars.

13.11 Nice will prepare and submit to Thales and/or its representative not later than sixty (60) days from Completion, drafts (in substantially complete form so far as it is able based on the Records) of the Companies' Statutory Accounts and tax returns for the period from 1 January 2002 up to the Completion Date (the "Draft Documents"). Nice will co-operate with Thales and/or its auditors in respect to the audit of the Companies' Statutory Accounts and tax return and shall provide appropriate assistance and access to the accounting

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records comprised in the Records acquired by the UK Purchaser under this Agreement. Thales shall be responsible for the finalisation of the Draft Documentation and the submission of final documents to the relevant authorities.

13.12 In the event of manifest error in the preparation of the Accounts Combination Statement, the NAV Target shall be adjusted to the extent of such manifest error for the purposes of this Agreement.

14 EMPLOYMENT

14.1 UK Employment Matters

14.1.1 Thales and the Purchasers acknowledge that:

(a) the transfer of the UK Business pursuant to this Agreement constitutes a relevant transfer of the whole of the undertaking of the UK Business for the purposes of the Transfer Regulations; and

(b) the UK Employees shall be transferred to the UK Purchaser on the Completion Date subject to the right of any of the UK Employees to object to their transfer pursuant to the Transfer Regulations.

14.1.2 Thales shall be liable for, and shall indemnify and keep indemnified the Purchasers in respect of all and any claims, proceedings, demands, awards, losses, damages, costs, liabilities, interest or expenses (including

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reasonable legal expenses) (the "Employment Liabilities") which may be suffered or incurred by the Purchasers in connection with the employment or dismissal of any person who is not an Employee.

14.1.3 Thales shall procure the performance and discharge of all contractual, statutory and other obligations in respect of all of the UK Employees up to Completion and Thales shall indemnify the Purchasers against any Employment Liabilities arising from any act or omission of Thales and the Companies or failure by Thales and the Companies to discharge any obligation relating to any of the UK Employees prior to Completion (excluding any liability covered by the indemnity under Clause 14.1.5).

14.1.4 The Purchasers shall procure the performance and discharge of all contractual and statutory and other obligations in respect of all of the UK Employees after Completion and the Purchasers shall indemnify Thales against any Employment Liabilities arising from any act or omission of the Purchasers or the failure of the Purchasers to discharge any obligation relating to any of the UK Employees after Completion.

14.1.5 Thales agrees to indemnify the Purchasers against any Employment Liabilities it may incur if any UK Employee or his or her employee representative brings a claim arising from a failure by Thales and its Affiliates to carry out their duty to inform and consult under Regulation 10 of the Transfer Regulations provided that such indemnity shall not apply to the extent that such failure arises from the failure of the Purchasers to provide Thales with any

necessary information concerning any measures (within the meaning of Regulation 10 of the Transfer Regulations) that the Purchaser intends to take in relation to any UK Employee, and provided further that such indemnity shall only apply in respect of 50% of any such Employment Liabilities to the extent that such failure arises from either:

(i) the failure of Thales and/or any Thales affiliate to commence compliance with the duty to inform and consult under Regulation 10 of the Transfer Regulations prior to the date of this Agreement; or

(ii) the fact that Thales and/or any Thales Affiliate only commences compliance with the duty to inform and consult under Regulation 10 of the Transfer Regulations after the date of this Agreement.

14.1.6 Nice agrees to indemnify Thales against any Employment Liabilities if and to the extent that the same arise from the failure of the Purchasers to provide Thales with any necessary information concerning any measures (within the meaning of Regulation 10 of the Transfer Regulations) that the Purchaser intends to take in relation to any UK Employee, and Nice agrees to indemnify Thales against 50% of any Employment Liabilities if and to the extent that the same arise from either:

(i) the failure of Thales and/or any Thales affiliate to commence compliance with the duty to inform and consult under Regulation 10 of the Transfer

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Regulations prior to the date of this Agreement; or

(ii) the fact that Thales and/or any Thales Affiliate only commences compliance with the duty to inform and consult under Regulation 10 of the Transfer Regulations after the date of this Agreement.

14.2 Non-UK Employment Matters

14.2.1 Thales and the Purchasers acknowledge that:

(a) the transfer of the Non-UK Business pursuant to this Agreement constitutes a transfer of an undertaking or business of the Non-UK Business for the purposes of European Council Directives 77/187/EEC and 2001/23/EC to the extent that they have been or are to be implemented by legislation in the European countries in which the Non-UK Business operates ("European Transfer Legislation"); and

(b) the Non-UK Employees shall be transferred to the Purchasers on Completion subject to the right of any of the Non-UK Employees to object to their transfer pursuant to the European Transfer Legislation or other relevant legislation in the country in which the Non-UK business operates.

14.2.2 Thales shall be liable for and shall indemnify and keep indemnified the Purchasers in respect of, all and any claims, proceedings, demands, awards, losses, damages, costs, liabilities, interest or expenses (including reasonable legal expenses) (the "Employment Liabilities") which may be suffered or incurred by the Purchasers in connection with the employment or dismissal of any person who is not an Employee.

14.2.3 The Purchasers shall offer employment on the basis of employment at will to all US Employees (the "Employment Offers"). The Employment Offers shall provide for the same base salary to which the US Employees are currently entitled as specified in the Disclosure Documents, and shall also contain the offer of additional benefits comprising the benefits offered by Nice to its employees in the United States.

14.2.4 In the event that any of the US Employees decline an Employment Offer, such US Employee shall not be an Employee.

14.2.5 Thales shall procure the performance and discharge of all contractual, statutory and other obligations in respect of all of the Non-UK Employees up to Completion and Thales and the Companies shall indemnify the Purchasers against any Employment Liabilities arising from any act or omission of Thales and the Companies or failure by Thales and the Companies to discharge any obligation relating to any of the Non-UK Employees on or

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prior to Completion (excluding any liability covered by the indemnity under Clause 14.2.7).

14.2.6 The Purchasers shall procure the performance and discharge of all contractual and statutory and other obligations in respect of all of the Non-UK Employees after Completion and the Purchasers shall indemnify Thales against any Employment Liabilities arising from any act or omission of the Purchasers or the failure of the Purchasers to discharge any obligation relating to any of the Non-UK Employees after Completion.

14.2.7 Thales agrees to indemnify the Purchasers against any Employment Liabilities it may incur if any Non-UK Employee or his or her employee representative brings a claim arising from a failure by Thales and/or its Affiliates to carry out their duty to inform and consult under European Transfer Legislation or other relevant legislation in any other country in which the Business operates provided that such indemnity shall not apply to the extent that such failure arises from the failure of the Purchasers to provide Thales with any necessary information concerning any measures that the Purchaser intends to take in relation to any Non-UK Employee, and provided further that such indemnity shall only apply in respect of 50% of any such Employment Liabilities to the extent that such failure arises from either:

(i) the failure of Thales and/or any Thales affiliate to commence compliance with the duty to inform and consult under the European Transfer Legislation applicable to the relevant Non-UK Employee prior to the date of this Agreement; or

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(ii) the fact that Thales and/or any Thales Affiliate only commences compliance with the duty to inform and consult under the European Transfer Legislation applicable to the relevant Non-UK Employee after the date of this Agreement.

14.2.8 Nice agrees to indemnify Thales against any Employment Liabilities if and to the extent that the same arise from the failure of the Purchasers to provide Thales with any necessary information concerning any measures (within the meaning of applicable European Transfer Legislation) that the Purchaser intends to take in relation to any non- UK Employee, and Nice agrees to indemnify Thales against 50% of any Employment Liabilities if and to the extent that the same arise from either:

(i) the failure of Thales and/or any Thales affiliate to commence compliance with the duty to inform and consult under applicable European Transfer Legislation prior to the date of this Agreement; or

(ii) the fact that Thales and/or any Thales Affiliate only commences compliance with the duty to inform and consult under applicable European Transfer Legislation after the date of this Agreement.

14.3 Surplus Employees

14.3.1 Nice shall terminate the employment of the Surplus Employees after Completion in accordance with the provisions of Clauses 14.3.2, 14.3.3 and 14.3.4.

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14.3.2 Nice agrees that the relevant Purchaser shall consult with Thales concerning the termination of the employment of the Surplus Employees after Completion and shall take such steps as are directed by Thales in writing provided that nothing in this Clause 14 shall require any of the Purchasers to take any action which is unlawful.

14.3.3 Nice agrees that it shall not make any offer of settlement or compromise to any of the Surplus Employees in relation to the termination of their employment without the prior consent of Thales.

14.3.4 In the event that any court, tribunal or any other official body makes any decision, ruling or judgement that the termination of employment of any of the Surplus Employees shall be set aside or invalidated, or it is otherwise ruled that any such Surplus Employee shall be retained by Nice or any of the Purchasers then the provisions of Clause 14.3.5 shall apply in relation to the continued employment of such Surplus Employee(s).

14.3.5 Thales agrees to indemnify and keep indemnified the Purchasers against any and all Employment Liabilities in relation to the employment of all the Surplus Employees ("Employment Costs") and all and any Employment Liabilities in relation to terminating the employment of all the Surplus Employees ("Termination Costs"), which may be suffered or incurred by the Purchasers as a result of employing and/or terminating the employment of the Surplus Employees. Employment Costs include but are not limited to all salaries or other contractual remuneration or payments (excluding bonuses and commissions payable on post Completion sales or performance which shall be borne by Nice) required to be paid to the Surplus Employees in respect of their employment and all and any costs or expenses incurred

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by the Purchasers in respect of the Surplus Employees including but not limited to providing benefits to the Surplus Employees and any social security contributions or income tax payments whether incurred before or after the date that the employment of the last of the Surplus Employees terminates. For the avoidance of doubt Termination Costs shall include, but not be limited to all and any payments or claims made to or by the Surplus Employees in respect of the termination of their employment, including any payment ordered by a competent court or tribunal including any award, fine or penalty. In respect of this Clause 14.3.5, Employment Liabilities shall include all legal expenses incurred at Thales' direction or otherwise reasonably and necessarily incurred by Nice.

14.3.6 Thales and Nice shall agree before Completion an estimated amount of the total Termination Costs (the "Estimated Costs") and Thales shall pay to Nice 20% of the Estimated Costs on Completion.

14.3.7 Thales will pay to the French Purchaser or the German Purchaser (whichever is relevant) no later than 1 month before the date on which the Surplus Employees' salaries are due each month (the first such payment to be made on Completion), an amount equal to:

(a) all salaries or other contractual remuneration or payments (excluding bonuses and commissions payable on post Completion sales or performance which shall be borne by Nice) due to the Surplus Employees in respect of their employment for that month, together with any other social security contributions or income tax payments due; and

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(b) an administration charge which shall be equal to 3% of the monthly Employment Costs of the Surplus Employees.

Any payment not made to the relevant Purchaser on the due date shall incur interest at a rate of 2% above the base rate of Barclays Bank plc computed on a daily basis until and including the date of payment.

14.3.8 Thales will pay to Nice upon demand any other amounts becoming due under Clause 14.3.5. Any payment not made to Nice within 7 days of demand shall incur interest at a rate of 2% above the base rate of Barclays Bank plc computed on a daily basis until and including the date of payment.

14.4 Any claim under the indemnities contained in this Clause 14 shall be dealt with as a "Third Party Claim" in accordance with Clause 22.17 to 22.21.

15 DEBTS AND ACCOUNTS RECEIVABLE

15.1 Thales agrees that it will if so requested by Nice use or procure that the Companies or other members of the Thales Group shall use all reasonable endeavours (at the expense of Nice) to assist in the collection of the Accounts Receivable.

15.2 Thales will procure that the Purchasers shall have access to view the bank accounts of the Companies into which Accounts Receivable are paid for a period of 15 months following Completion. Thales will, and will procure that the Companies and other members of the Thales Group will, hold any payments in respect of the Accounts Receivable received by any member of the Thales Group upon trust for the Purchasers and will account to Nice for the same as soon as reasonably practicable and in any event within 7 days of demand by way of a telegraphic transfer to the following account:

Source: NICE SYSTEMS LTD, 20−F, June 26, 2003

Bank: Mellon Bank, Pittsburg, PA 15285

ABA #: 043-000-261

Credit To: Merrill Lynch

Account #: 1011730

For Further Credit to: Nice

Account #: 879-07L19

Swift: Melnus 3P

If Thales fails to pay to Nice an amount in respect of Accounts Receivable within 7 days of demand then Thales shall pay interest at the rate of 2% above the base rate of Barclays Bank plc on such sum until the date of actual payment.

15.3 The Purchasers shall take such steps to collect the Accounts Receivable as is consistent with the prior practice of the Companies in connection with the Business provided that this obligation shall not require the Purchasers to institute or threaten any proceedings to collect the Accounts Receivable or to cease doing business with the relevant customer or to take any step which is not at the date of this Agreement a step or proceeding that would not be taken by the Companies in the collection of debts of the Business as part of the normal routine of the Business in the collection of debts of the Business.

15.4 Prior to the date which is 15 (fifteen) months after the Completion Date, Thales shall not itself take any step to collect any of the Accounts Receivable (unless requested by Nice in accordance with Clause 15.1), and shall not do anything to hinder their collection by the Purchasers.

15.5 If Thales should receive any communication or payment in respect of any Accounts Receivable, it shall as soon as reasonably practicable give a copy of such communication or payment or details in writing to the Purchasers.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

15.6 If prior to the date which is 15 (fifteen) months after Completion the Purchasers shall, without the written consent of Thales, settle, compromise or release any of the Accounts Receivable then the original total amount of the relevant Accounts Receivable settled, compromised or released shall not be capable of reassignment to Thales pursuant to Clause 15.9.

15.7 The Purchasers will, from the date of Completion until the first anniversary thereof provide to Thales within 20 days of the end of each calendar month a statement showing the Accounts Receivable received in the previous month and the balance of Accounts Receivable still to be received.

15.8 If on or after 15 (fifteen) months from the Completion Date, the Purchaser shall have failed to recover any Account Receivable, provided that:

(a) the Purchasers are not in breach of their obligations in Clause 15.3 and have provided a description of the steps taken pursuant to such obligations, including any copy correspondence relating to the collection of the relevant Accounts Receivable; and

(b) the Purchasers have not settled, compromised or agreed to release such Account Receivable (whether in whole or in part) without the written consent of Thales,

then the provisions in Clause 15.9 shall take effect.

15.9 Subject to the provisions of Clause 15.8:

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

15.9.1 the relevant Purchaser shall be entitled to assign all its rights and interest in such Account Receivable to Thales (or as it may direct); and

15.9.2 upon such assignment:

(a) Thales shall pay or procure the payment in full to the relevant Purchaser of the Account Receivable to the extent not previously received by the Purchaser; and

(b) the Purchaser shall provide Thales with a statement in respect of each Account Receivable assigned pursuant to clause 15.9.1 setting out the action taken by the Purchaser in the collection of the Accounts Receivable, together with any relevant correspondence relating thereto; and

15.9.3 following payment under Clause 15.9.2 Thales shall be free to take such steps as it shall deem appropriate to collect the Account Receivable.

15.10 In the event that any Account Receivable becomes unrecoverable due to either:

(a) the insolvency of the debtor; or

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

(b) where any part or all of the Account Receivable is disputed by the debtor and where Thales acknowledges that such Account Receivable is incorrect in whole or part or otherwise not a valid debt outstanding;

then the provisions of clause 15.9 shall apply to the Account Receivable (or the unpaid amount) regardless of whether 15 months has elapsed since the date of Completion.

15.11 The Purchasers agree that they will, if so requested by Thales, use all reasonable endeavours (at the expense of Thales) to assist Thales in the collection of any Account Receivable re-assigned pursuant to Clause 15.9. The Purchasers will hold any payment in respect of any Account Receivable re-assigned pursuant to Clause 15.9 upon trust for Thales and will account to Thales for the same as soon as reasonably practicable and in any event, within 7 days of demand.

16 INVENTORY

16.1 Following the expiry of the year ending 31 December 2003, the Purchasers shall procure that the auditors of the Purchasers shall calculate the value of the Inventory included in the Completion Balance Sheet unsold at 31 December 2003 (if any) ("the Unsold Inventory") by reference to its book value in the Completion Balance Sheet (the "Inventory Shortfall Amount") and the Purchasers shall serve upon Thales a notice (the "Inventory Shortfall Notice") of the amount of the Inventory Shortfall Amount and details of the calculation of such amount. Upon receipt of the Inventory Shortfall Notice, Thales shall have 10 days in which to inspect the relevant Inventory and to either agree the Inventory Shortfall Amount or serve a notice (a "Notice of Objections") on the Purchasers giving reasons why the amount is disputed.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

If no Notice of Objection is served in the 14 day period referred to above then Thales shall be deemed to have agreed the Inventory Shortfall Amount. If the Inventory Shortfall Amount is not agreed within 14 days of service of the Notice of Objections, then either party may appoint an independent firm of accountants (the "Independent Firm") to determine the amount of the Inventory Shortfall Amount. The Independent Firm shall act as experts and not as arbitrators. The determination of the Independent Firm shall be binding and final save in respect of manifest error. The costs of the Independent Firm shall be shared equally between Thales and the Purchasers.

16.2 Following agreement or determination of the Inventory Shortfall Amount Nice shall serve upon Thales a notice confirming that Unsold Inventory is available for collection upon reasonable notice with details of the location of the Unsold Inventory.

16.3 Upon the earlier of the collection of the Unsold Inventory and 10 Business Days from the date of the notice referred to in Clause 16.2 above Thales shall pay to the Purchasers such Inventory Shortfall Amount.

16.4 The Purchasers agree that Inventory held at Completion shall be incorporated into any products sold prior to 31 December 2003 which incorporate categories of Inventory held at Completion unless all items of the relevant category of Inventory have been exhausted.

17 WARRANTY WORK AND ADDITIONAL SERVICES

17.1 Thales agrees to indemnify and keep indemnified the Purchasers on demand from time to time in respect of the cost to the Purchasers of performing warranty work under Contracts where the sales under such Contracts were recognised prior to the Completion Date to the extent that such expenditure

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

in aggregate exceeds the reserve for such amounts provided in the Completion Balance Sheet. For the purposes of this clause the cost to the Purchasers of performing warranty work, subject to the provisions of Clause 17.4, shall be the invoiced cost where the work is performed by a third party contractor and where the work is performed by a Purchaser's own labour force, at an equivalent cost as the relevant Purchaser could have had the work performed by a third party contractor.

17.2 Where sales are recognised prior to Completion under any Contract where the customer has the right under the Contract to receive additional services or products ("Additional Services"), the Purchasers hereby agree to perform the Additional Services demanded by the customer provided always that:

(a) where the customer has an obligation to pay for the Additional Services, the Purchasers shall be directly entitled to such payment; and

(b) where the existing Contract does not provide for further payment by the customer and no specific provision or inadequate provision has been made in the Completion Balance Sheet, Thales shall pay the cost of such Additional Services (or the amount not provided for, as the case may be) to the Purchasers. In such case, the cost to the Purchasers of performing the Additional Services, subject to the provisions of Clause 17.4, shall be the invoiced cost where the work is performed by a third party contractor and where the work is performed by a Purchaser's own labour force, at an equivalent cost as the relevant Purchaser could have had the work performed by a third party contractor.

17.3 Thales will, and will procure that the Companies and other members of the Thales Group will, hold any payments in respect of the Additional Services

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

made to them upon trust for the Purchasers and will account to the Purchasers for the same on demand.

17.4 In performing any warranty work which is governed by Clause 17.1 or Additional Services which are governed by Clause 17.2 the work carried out and the standard of such work shall be such work at such standard as is reasonably necessary to comply with the obligations provided for by the relevant Contract and the cost of the performance of the relevant work, whether carried out by a Purchaser's own workforce or a third party contractor, shall be calculated accordingly.

18 INSTEM Manufacturing Agreement

18.1 For the avoidance of doubt, Nice or its nominee assumes the rights and obligations of TCSL under the Instem Contracts.

18.2 "Manufacturing Management Charge" and "Contract Year" shall have the meanings given in the Instem Manufacturing Agreement.

18.3 Thales shall indemnify and keep indemnified the Purchasers on demand following the end of the relevant Contract Year in respect of any shortfall payments and applicable Manufacturing Management Charge which fall to be made pursuant to Clause 14 of the Instem Manufacturing Agreement as follows:

(a) 100% of the shortfall together with the Manufacturing Management Charge applicable to that shortfall in the first Contract Year as provided in Clause 14.2 of the Instem Manufacturing Agreement; and

Source: NICE SYSTEMS LTD, 20−F, June 26, 2003

(b) 50% of the shortfall in the second Contract Year as provided in Clause 14.3 of the Instem Manufacturing Agreement.

18.4 Nice shall procure the delivery to Thales at the request of Thales of all information reasonably necessary to verify the amount of any payment due to be paid by Thales under Clause 18.3.

19 ACTION AFTER COMPLETION

19.1 Thales will procure that all notices, correspondence, information, orders or enquiries relating to the Business which are received by any member of the Thales Group on or after Completion shall be passed to Nice as soon as is reasonably practicable.

19.2 Thales will procure that all monies or other items which are received by the Thales Group on or after Completion in connection with the Business shall as soon as reasonably practicable and in any event within 7 days be passed or paid to Nice or such member of Nice Group as Nice may direct and, pending such passing or payment, shall be held on trust for Nice or such member. Nice will procure that all monies or other items which are received by any member of Nice Group on or after Completion in connection with any business of any member of the Thales Group which is not acquired pursuant to this Agreement shall, as soon as reasonably practicable and in any event within 7 days, be passed or paid to Thales or such member of the Thales Group as Thales may direct and, pending such passing or payment, shall be held on trust for Thales or such member.

19.3 The Purchasers shall following Completion retain in good order and for a period not less than that for which Thales retains any liability under this

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

Agreement, all of the books, accounts, records and returns of the Business in respect of the period prior to the Completion Date.

19.4 The Purchasers shall, following Completion, provide to Thales or any member of the Thales Group in response to reasonable request for such information from Thales:

(a) all reasonable access during business hours on reasonable notice to examine (and if necessary to take copies of) such books, accounts, records and returns as are referred to in Clause 19.3; and

(b) all reasonable access to Nice's employees as it may reasonably request (and at Thales' cost) to enable Thales to deal with any correspondence, telephone calls, queries or requests from third parties including, without limitation, any governmental or regulatory authority and any person who was a customer or supplier of the Business prior to the Completion Date; and

(c) such other information and assistance as may reasonably be required by Thales,

in order for Thales of any Thales Affiliate to prosecute, defend of otherwise deal with any liability comprised in the Excluded Liabilities.

19.5 Save insofar as such costs arise in relation to the Purchaser recording title to any Business IPR at any relevant registry, Thales shall at its own cost, from time to time on reasonable notice, do or procure the doing of all such acts and/or execute or procure the execution of all such documents in a form required and necessary for giving full effect to this Agreement and securing to the Purchasers the full benefit of the Business and Assets and the other

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

rights, powers and remedies conferred upon the Purchasers in this Agreement.

19.6 In respect of any Shared Assets, Thales shall use its reasonable endeavours to secure for the Purchasers, for the same period as any member of the Thales Group has such benefit and/or use, the continued benefit and/or use of such Shared Assets in the same manner as the Shared Assets were used in the Business in the 12 month period prior to Completion and Thales shall procure that the cost to the Purchasers for the continued benefit or entitlement to such Shared Assets shall be no greater than the historical cost to the Business of such benefits or entitlements subject to a reasonable inflation allowance.

19.7 For the avoidance of doubt and without prejudice to clause 19.6, Thales shall grant or procure the grant to the Purchasers of the right and licence to the full benefit and use (as enjoyed by the Business prior to Completion) of all and any Intellectual Property Rights (other than Excluded Trade Marks) which are Shared Assets and which are owned by Thales or any member of the Thales Group, on a non-exclusive perpetual, irrevocable, royalty free, fully paid up basis for use exclusively in the business being acquired hereunder, except to the extent that such licence cannot lawfully be granted under any statutes or regulations in which case such licence shall be granted to the Purchasers on the most favourable lawful terms.

19.8 Exchange of Nice Shares for Nice ADRs

19.8.1 Upon effectiveness of the Shelf Registration Statement (as defined in the Registration Rights Agreement), Nice shall remove, or cause to be removed, from the certificates representing the Nice Shares comprising the Share Consideration the restrictive legend relating to the Securities Act of 1933, as amended, and shall use commercially reasonable efforts to ensure that such Nice

Shares are thereafter eligible for deposit under the Deposit Agreement dated as of January 24, 1996, as amended and restated as of July 22, 1997, by and among Nice, The Bank of New York, as Depositary thereunder, and the owners and holders of Nice ADRs thereunder (the "ADR Facility"), in exchange for Nice ADRs representing such Nice Shares. Notwithstanding the foregoing, the Nice Shares comprising the Share Consideration and any Nice ADRs issued in exchange therefore shall continue to be subject to restrictions on transfer consistent with this Agreement and Schedule 11 attached hereto and the standstill agreement referred to therein.

19.8.2 In order to ensure compliance with the contractual restrictions on transfer and manner of sale set forth in Schedule 11 attached hereto, at Completion Thales shall designate one broker or dealer of Thales' choice through whom Thales will coordinate and effect any and all sales of any Nice Shares or Nice ADRs comprising the Share Consideration, shall provide Nice with contact information for a designated contact person at the offices of such broker or dealer, and shall advise such broker or dealer in writing (with receipt acknowledged by such broker to Nice and Thales) of the restrictions set forth in Schedule 11 attached hereto, including providing such broker or dealer with a copy of Schedule 11. Thales may change such designated broker or dealer at any time by providing notice of such change to Nice, provided such newly designated broker or dealer is advised in writing (with receipt acknowledged by such broker to Nice and Thales) of the restrictions set forth in Schedule 11 attached hereto, including providing such broker or dealer with a copy of Schedule 11, and provided that at all times only

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

one broker or dealer shall be designated as the applicable broker or dealer under this Section 19.8.2.

19.9 Embargo Contracts

19.9.1 The UK Purchaser undertakes to Thales with, subject to Clause 19.9.4, effect from Completion to act as sub-contractor to TCSL and to carry out and perform and complete all the outstanding obligations and liabilities created by or arising under the Embargo Contracts and shall indemnify Thales and keep it fully indemnified against all liabilities, losses, actions, proceedings, costs, claims, demands and expenses brought or made against or incurred by Thales and/or TCSL in respect of the non-performance or defective or negligent performance or termination of the Embargo Contracts following Completion.

19.9.2 In consideration for the UK Purchaser agreeing to act as sub-contractor to TCSL and fulfil the obligations of TCSL under the Embargo Contracts pursuant to Clause 19.9.1, Thales shall or shall procure that the benefit of all payments received by TCSL or any member of the Thales Group shall be held on trust for Nice and shall be passed to the UK Purchaser as soon as reasonably practicable following receipt.

19.9.3 The UK Purchaser acknowledges that the performance of the Embargo Contracts shall include all interface with the relevant distribution channel and if relevant, end-user, and that TCSL shall merely hold the Embargo Contracts in its name, and Thales agrees to procure that TCSL shall not amend the terms of the Embargo Contracts.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

19.9.4 The UK Purchaser shall take no steps in the performance of the Iran Contract unless and until advised to do so by TCSL in writing.

19.10 Coppice Developments Limited

Following Completion the UK Purchaser agrees that it will perform the obligations of TCSL to Coppice Developments Limited ("Coppice") under the third party manufacturer's agreement between TCSL and Coppice dated 5 February 2002 (a copy of which is attached to the Disclosure Letter) (the "Coppice Contract") in accordance with its terms at the date of this Agreement and Thales shall make payments to the UK Purchaser in the same amounts and on the same terms as the payments due to TCSL from Coppice under the terms of the Coppice Contract. Thales agrees to procure that TCSL shall not amend the terms of the Coppice Contract.

20 INSURANCE CLAIMS

To the extent that an accident occurs or has occurred or any loss or damage is incurred or has been incurred at any time on or before the date of Completion in relation to the Business which is covered by insurance policies in the name of or otherwise maintained by any member of the Thales Group then Thales shall or shall procure that the relevant member of the Thales Group shall, subject to being indemnified by the relevant Purchaser in respect of all costs reasonably incurred in connection with pursuing such claim or loss, pursue such claim or loss on behalf of the relevant Purchaser and, upon receipt of insurance monies in respect of such claim or loss, pay such monies forthwith to the relevant Purchaser net of all expenses (including legal fees (if any) incurred with the prior written consent of Nice) incurred and not previously reimbursed by the relevant Purchaser.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

21 THIRD PARTY CONSENTS

21.1 Without prejudice to the Condition in clause 2, the subject of which shall not be governed by this Clause 21, if any consent or approval of any person who is not a party to this Agreement is required to enable the relevant Purchaser to take the assignment of or perform any Contract and any such consent or approval has not been received at or prior to Completion:

21.1.1 this Agreement shall not constitute an assignment or attempted assignment of any such Contract whose terms would be broken by an assignment or attempted assignment;

21.1.2 the assignment of each Contract shall be conditional upon such consent, and the parties shall co-operate to obtain such consent as soon as practicable;

21.1.3 until such time as such consent or approval is received, the Companies shall be deemed to, and Thales shall procure that the Companies shall, insofar as is legally possible, hold the benefit thereof in trust for the Purchasers and the Purchasers shall (if such sub-contracting is permissible and lawful under the Contract in question) as the relevant Company's sub-contractor perform all the obligations of the relevant Company under such Contract.

21.2 Where following Completion, any of the Purchasers act as the sub-contractor to any of the Companies in the performance of any Contract in accordance with Clause 21.1.3 the Purchasers shall indemnify the relevant Company

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

and keep it fully indemnified against all liabilities, losses, action, proceedings, costs, claims, demands and expenses brought or made against or incurred by the relevant Company in respect of the non-performance or defective or negligent performance by the relevant Purchaser of the relevant Contract.

22 WARRANTIES AND LIMITATIONS ON LIABILITY

22.1 Thales warrants to the Purchasers that each of the Warranties set out in Part 1 of Schedule 4 and Schedule 5 are true and accurate at the date of this Agreement.

22.2 Nice warrants to Thales that each of the warranties set out in Part 2 of Schedule 4 are true and accurate at the date of this Agreement.

22.3 The Purchasers shall not be entitled to claim that any fact causes any of the Warranties to be breached or renders any of the Warranties misleading if it has been fairly disclosed in reasonable detail to the Purchasers in the Disclosure Letter. For the avoidance of doubt:

(a) if a document is referred to in the Disclosure Letter but a copy of such document is not included in the Disclosure Documents, the contents of such document will not be deemed to have been fairly disclosed to the Purchasers; and

(b) if a document is referred to in the Disclosure Letter but a partial, rather than a complete, copy of such document is not included in the disclosure Documents then the relevant document shall only be deemed disclosed to the Purchaser to the extent actually included in the Disclosure Letter.

22.4 Thales acknowledges that the Purchasers have entered into this Agreement in reliance upon the Warranties.

22.5 Each of the Warranties shall be separate and independent and, save as expressly provided to the contrary, shall not be limited or restricted by reference to or inference from any other Warranty.

22.6 Each of the Warranties shall be given on the date of this Agreement and shall be deemed to be repeated on the Completion Date except for the Warranty set out at paragraph 4.3 of Part I of Schedule 4. The Warranties deemed repeated at Completion shall be made on the basis that at Completion any reference to "the date of this Agreement", whether express or implied, in the Warranties or in any of the definitions in Clause 1.1 (Definitions and Interpretation) and used in such Warranties (except in the definition of the "Disclosure Letter") shall be deemed to be substituted by a reference to the Completion Date. Notwithstanding that the Warranties set out at paragraphs 3.1, 3.2, 3.8, 3.9, 3.11, 3.12(a), 7.1 and 11.3 of Part I of Schedule 4 shall be deemed repeated at Completion, the Purchasers shall not be entitled to claim that any fact arising between the date of this Agreement causes any such Warranties not to be true or accurate if it has been fairly disclosed in reasonable detail to the Purchasers in the Completion Disclosure Letter.

22.7 Thales will deliver to the Purchasers immediately before Completion a letter (the "Completion Disclosure Letter") confirming that the Warranties are true and accurate as at the Completion Date (as if repeated as described in sub-Clause 22.6) except as regards any matter or event occurring between the date of this Agreement and the Completion Date fair and reasonable details of which are set out in the Completion Disclosure Letter to the intent that such confirmations shall confer the same rights on the Purchasers as if each was set out in this Agreement as a Warranty. The Completion Disclosure

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

Letter shall not effect the right of the Purchasers to place reliance on the Warranties, except as provided in Clause 22.6.

22.8 Thales hereby undertakes to disclose promptly to Nice in writing immediately upon becoming aware of any matter, event or circumstance which may arise or becomes known to it after the date of this Agreement and before, or at the time of Completion which would or may make any of the Warranties inaccurate and would accordingly constitute a breach of the relevant Warranty.

If, details of any matter disclosed in the Completion Disclosure Letter results in the Warranties, in the absence of such disclosure, not being true and accurate at Completion, then Thales acknowledges and agrees that the Purchasers shall be entitled to take action and to recover damages to the same extent which they would have been entitled had such disclosure not been made by Thales in the Completion Disclosure Letter (or otherwise) prior to Completion, except as provided in Clause 22.6.

22.9 The Purchasers shall not be entitled to recover more than once in respect of any one matter or set of circumstances giving rise to a claim under the Warranties and/or any indemnity and/or under any other provision of this Agreement. No claim for loss of profits will be recoverable for breach of Clause 5.3 or either Warranty 8.1 or 8.5 where the relevant claim would fall within the scope of the indemnities in Clauses 11.1, 11.2, 11.3 and 11.4 but for the exceptions provided therein.

22.10 The benefit of the Warranties and all other rights of the Purchasers hereunder may be assigned in whole or in part, but always subject to the limitations on liability contained in this Clause 22, and without restriction by the Purchasers to any company which is a member of the Purchasers' Group and which succeeds in title to any of the businesses, in whole or in part, comprised in the Business. Provided that the benefit of the Warranties and all other rights assigned pursuant to this clause shall cease to have

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

effect and shall no longer be enforceable against Thales and/or any Thales Affiliate in the event that the assignee ceases to be a member of the Purchasers' Group.

22.11 In the event of the Purchasers becoming aware of any matter which may involve Thales in liability pursuant to the Warranties or the indemnities in Clauses 6 (Excluded Liabilities), 11 (Indemnities) and 14 (Employment), and such matter is not a Third Party Claim (as defined in Clause 22.18) then the Purchasers shall procure that notice thereof (stating in reasonable details the nature of the claim and so far as practicable, the amount claimed) is provided to Thales within forty-five (45) days of the Purchasers becoming aware of the relevant matter, but any failure to give such notice or particulars shall not affect the rights of the Purchasers except that Thales shall not be liable in respect of any such claim to the extent that any liability of Thales is increased or Thales is otherwise prejudiced by such failure.

22.12 No claim shall be brought against Thales in respect of any breach of the Warranties or the indemnities set out in Clause 11 (other than the indemnities at Clauses 11.4, 11.5 and 11.6) unless Nice has given Thales written notice of the claim (stating in reasonable detail the nature of the claim and, so far as practicable, the amount claimed):

22.12.1 in respect of any claim relating to Taxation, on or before the date which is 90 days from the last date on which any Tax Authority may make a claim or consent in or take any other step which may give rise to a claim relating to Taxation;

22.12.2 in respect of any claim relating to any Intellectual Property Rights (other than a claim in respect of Wordnet 3 under clause 11.3 or under the Warranties) matters, on or before the fourth anniversary of the Completion Date;

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22.12.3 in respect of any claim relating to Wordnet 3 under clause 11.3 or under the Warranties, on or before the third anniversary of the Completion Date;

22.12.4 in respect of any claim relating to any other matters on or before the date which is two (2) years after the Completion Date.

22.13 The aggregate amount of the liability of Thales under:

(a) the Warranties;

(b) the indemnity in relation to the Prism Product at Clause 11.1;

(c) the indemnity in relation to Business IPR at Clause 11.2;

(d) the indemnity in relation to Wordnet 3 at clause 11.3; and

(e) the provisions of this Agreement in relation to the performance of warranty work at Clause 17;

shall not exceed the aggregate of 60% (sixty per cent) of the aggregate of the Initial Cash Consideration (as defined in Clause 7.2.1) together with any further cash consideration received by Thales or the Companies as at the date of the relevant claim less any amount paid by Thales to the Purchasers by way of reduction of the consideration pursuant to Clauses 7.5, 7.7 and 13 provided that Thales' liability under Clause 11.3 (or warranty 8.5 relating to

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

Wordnet 3) shall be limited to $12,500,000. For the avoidance of doubt, the provisions of this Clause 22.13 shall not affect or limit the liability of Thales in relation to any claim relating to the indemnities and/or provisions of this Agreement in respect of Clause 11.5 (SMRC), Clause 11.6 (NMS), Clause 11.7 (Tax), Clause 15 (Accounts Receivable), Clause 16 (Inventory), Clause 18 (the Instem Manufacturing Agreement), Clause 6 (the Excluded Liabilities) and any other provision of this Agreement.

22.14 No liability shall attach to Thales in respect of any individual claim under the Warranties, the indemnity relating to the Prism Product at Clause 11.1, the indemnity relating to Business IPR at Clause 11.2 or the indemnity relating to Wordnet 3 at Clause 11.3 for which it would, in the absence of this provision, be liable, unless such claim exceeds (pound)15,000 (fifteen thousand pounds). For the avoidance of doubt, the provisions of this Clause 22.14 shall not affect or limit the liability of Thales in relation to any claims made by the Purchasers relating to the indemnities and/or the provisions of this Agreement relating to Clause 11.5 (SMRC), Clause 11.6 (NMS), Clause 11.7 (Tax), Clause 17 (warranty work), Clause 15 (Accounts Receivable), Clause 16 (Inventory), Clause 18 (the Instem Manufacturing Agreement) Clause 6 (the Excluded Liabilities) and any other provisions of this Agreement.

22.15 The Purchasers shall not be entitled to damages in respect of any claim or claims under any of the Warranties, the indemnity relating to the Prism Product at Clause 11.1 or the indemnity relating to Business IPR at Clause 11.2 and Wordnet 3 at Clause 11.3 unless and until the aggregate amount of all claims exceeds $600,000 (six hundred thousand dollars), but if this amount is exceeded, Thales' liability shall be for the total amount of the claims and shall not be limited to the excess. For the avoidance of doubt, the provisions of this Clause 22.15 shall not affect or limit the liability of Thales in relation to any claims made by the Purchasers relating to the indemnities and/or the provisions of this Agreement relating to Clause 11.5 (SMRC), Clause 11.6 (NMS), Clause 11.7 (Tax), Clause 17 (warranty work), Clause 15 (Accounts Receivable), Clause 16 (Inventory), Clause 18 (the

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Instem Manufacturing Agreement), Clause 6 (the Excluded Liabilities) and any other provisions of this Agreement.

22.16 None of the limitations contained in clauses 22.12, 22.13 and 22.14 and 22.15 shall apply to any breach of any Warranty or indemnity which (or the delay in discovery of which) is the consequence of fraud, by any member of the Thales Group or any officer or employee of any member of the Thales Group. None of the limitations contained in clauses 22.3, 22.12, 22.13, 22.14, 22.15 and 22.22 shall apply to any breach of warranty 2.7 (Accounts Combination Statement).

22.17 In the following provisions of this clause 22, the expression "Indemnified Party" means any of the Purchasers or any member of the Purchasers' Group or Thales or any member of the Thales Group, as the case may be, who has any claim under Clauses 3.2 (Hedge End), 6.1 (Assumed Liabilities), 6.3 (Excluded Liabilities), 14 (Employment), 11 (Indemnities), or 25.2 (Pensions) or under the Warranties and the expression "Indemnifying Party" means Thales or (or other relevant member of the Thales Group) or any Purchaser (or other relevant member of the Purchasers' Group) as the case may be.

22.18 If an Indemnified Party becomes aware of any matter, act, omission or circumstances that may give rise to a claim against the Indemnifying Party and the claim in question is a result of or in connection with a claim by or liability to a third party ("Third Party Claim") then the Indemnified Party shall procure that notice of such Third Party Claim is given as soon as reasonably practicable and in any event within twenty one (21) days to the Indemnifying Party, and the Indemnified Party shall provide to the Indemnifying Party sufficient information as may reasonably be required to assess the validity of the claim in question, but any failure to give such notice or provide such information shall not affect the rights of the relevant Indemnified Party except that the Indemnifying party shall not be liable to the Indemnified Party in

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

respect of a Third Party Claim to the extent that any liability of the Indemnifying Party is increased or the Indemnifying Party is otherwise prejudiced by such failure.

22.19 If the Indemnifying Party agrees that it is liable to the Indemnified Party in respect of the claim in question (to the extent the Third Party Claim is successful) and the Indemnifying Party indemnifies and secures the Indemnified Party against all reasonable out-of-pocket costs and expenses incurred by it, and any loss arising in respect of the relevant claim under this Agreement as finally determined, within 10 Business Days of being notified of the Third Party Claim, the Indemnified Party and any member of its group shall, subject to clauses 22.20 and 22.21:

(a) take such action as the Indemnifying Party may reasonably require after consultation with the Indemnified Party to avoid, resist, contest or compromise such Third Party Claim or matter which gives, or may give, rise to such a claim;

(b) not make any admission of liability, agreement, compromise or settlement with any person, body or authority nor consent to the entry of any judgment or final order in relation to any such Third Party Claim except with prior consultation with, and the prior agreement (not to be unreasonably withheld or delayed) of, the Indemnifying Party;

(c) if so required by the Indemnifying Party ensure (or, as appropriate, shall procure that each Indemnified Party shall ensure) that the Indemnifying Party is placed in a position to take on or take over, in any such case in the name and on behalf of, the Indemnified Party (or any

member of its group concerned), the conduct of all proceedings and/or negotiations of whatever nature arising in connection with the Third Party Claim in question, including the appointment of solicitors or other professional advisers, and provide (or, as appropriate, procure that each Indemnified Party provides) such information, original or copy documents, access to systems and/or personnel and assistance as the Indemnifying Party may reasonably require in connection with the preparation for, and conduct of, such proceedings and/or negotiations provided that the Indemnifying Party shall keep the Indemnified Party informed of the progress of any proceedings and shall consult with the Indemnified Party prior to taking any action which may materially and adversely affect the Indemnified Party or the Business. If the Indemnified Party decides to retain solicitors or other professional advisers in addition to those retained by the Indemnifying Party, it shall do so at its own cost.

(d) If the Indemnifying Party does not take over the management of the claim, then the Indemnified Party shall consult the Indemnifying Party on the conduct of the claim and keep the Indemnifying Party fully and regularly informed of all proceedings and/or negotiations and of any financial sums which will be claimed under the indemnity and will only compromise, settle, discharge or otherwise dispose of the claim with the prior written consent of the Indemnifying Party (such consent not to be unreasonably withheld or delayed).

22.20 The Indemnified Party shall not take any step to admit, compromise, settle, discharge or otherwise deal with any Third Party Claim at any time prior to notification of such Third Party Claim to the Indemnifying Party or pending

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

the Indemnifying Party's consideration of the Third Party Claim. Provided that the Indemnified Party has complied with its obligations under this Clause and Clauses 22.17 and 22.18, the Indemnified Party shall be at liberty, without reference to the Indemnifying Party and without prejudice to its rights against the Indemnifying Party, to admit, compromise, settle, discharge or otherwise deal with any Third Party Claim:

(a) if the Indemnifying Party fails to request the Indemnified Party to take any appropriate action within a reasonable period after receipt of the notice given under clause 22.18 above; or

(b) if no response is received from the Indemnifying Party within a reasonable period in relation to any continuing dispute, negotiation or correspondence; or

(c) if the Indemnifying Party fails to secure and indemnify the Indemnified Party as required by clause 22.19 above.

22.21 The Indemnified Party and any member of its group shall be at liberty, without prejudice to its rights against the Indemnifying Party, to admit, compromise, settle, discharge or otherwise deal with any Third Party Claim if the Third Party Claim relates to any Intellectual Property Rights and such claim could materially and adversely affect the Business including, for the avoidance of doubt, the ongoing financial performance of the Business, provided that the Indemnified Party shall keep the Indemnifying Party informed of the progress of any proceedings and shall consult with the Indemnified Party prior to compromising, settling, discharging or otherwise dealing with such a Third Party Claim.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

22.22 No liability shall attach to Thales in respect of any claim under the Warranties and/or the indemnities set out in Clause 11:

22.22.1 to the extent that the matter, event or circumstance giving rise to the relevant claim was provided for in the Completion Balance Sheet;

22.22.2 unless proceedings in respect of the claim shall have been issued and served on Thales before the date nine months following the date on which notice of the claim was given to Thales in accordance with Clause 22.12;

22.22.3 to the extent that the claim or breach would not have arisen but for some act, omission, transaction or arrangement whatsoever carried out at the written request or with the written approval of Nice or its authorised representatives prior to Completion or which was expressly authorised by this Agreement; and

22.22.4 to the extent that the matter giving rise to the claim would not have arisen but for the passing of, or any change in, after the date of this Agreement, any law, rule, regulation, interpretation of law or administrative practice of any government, governmental department, agency or regulatory body or any increase in the rates of Tax or any imposition of Tax, in any case not actually or prospectively in force at the date of this Agreement.

22.23 The Purchasers shall, in relation to any loss or liability which might give rise to a claim under:

(a) the Warranties; or

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

(b) any Third Party Claim which relates to Intellectual Property Rights in relation to which Nice have exercised their rights under Clause 22.21 to take conduct of such claim and the indemnities contained in clauses 11.1, 11.2, 11.5 and 11.6,

take all reasonable steps to avoid or mitigate such loss or liability.

22.24 Thales undertakes that if any claim is made against it or any of the other members of the Thales Group in connection with the sale of the Assets or the Cliffstone Shares or the Cliffstone Note to the Purchasers, none of them will make any claim against any Employee on whom it may have relied before agreeing to the terms of this Agreement or authorising any statement in the Disclosure Letter.

22.25 Thales expressly disclaims all liability and responsibility for any forecast, business projection or evaluation contained within or derived or capable of being derived from:

22.25.1 any investigation carried out or made by or on behalf of the Purchasers in the course of due diligence or other enquiry prior to the Purchasers entering into this Agreement; or

22.25.2 any other data, document, record or information Disclosed.

22.26 No liability shall attach to Thales in respect of any claim under the Warranties to the extent that the relevant facts, matters or circumstances giving rise to the claim were actually known by the Purchasers to constitute a breach of Warranty.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

23 RESTRICTIONS ON THALES ACTIVITIES

23.1 Thales undertakes with the Purchasers that without the written consent of Nice it will not and shall procure that each Affiliate of Thales shall not, either on its own account or in conjunction with or on behalf of any other person:

23.1.1 for a period of three (3) years from the Completion Date carry on or be engaged, concerned or interested, directly or indirectly, whether as a partner, shareholder, director, consultant, agent or otherwise in any business which is competitive with the Business as such business is carried on at Completion;

23.1.2 for a period of 18 (eighteen) months from the Completion Date entice away or attempt to solicit or entice away from the Purchasers any Employee who is a senior employee of the Business, whether or not such person would commit a breach of his contract by reason of leaving such employment.;

23.1.3 for a period of three years from the Completion Date solicit or endeavour to entice away from the Purchasers the business or custom of a Restricted Customer with a view to providing goods or services to that Restricted Customer in competition with the Business as carried on at the Completion Date;

23.1.4 for a period of three years from the Completion Date provide goods or services to or otherwise have any business dealings with any Restricted Customer in the

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

course of any business concern which is in competition with the Business as carried on at the Completion Date;

23.1.5 for a period of three years from the Completion Date to the detriment of any of the Purchasers, persuade or endeavour to persuade any Restricted Supplier to cease doing business or materially reduce its business with any of the Purchasers;

23.1.6 for a period of three years from the Completion Date to the detriment of any of the Purchasers, receive goods or services from or otherwise have any business dealings with any Restricted Supplier in the course of any business concern which is in competition with the Business as carried on at the date hereof; and

23.1.7 assist any other person to do any of the foregoing things.

23.2 While the restrictions contained in this Clause 23 are considered by the parties to be reasonable in all the circumstances, it is recognised that restrictions of the nature in question may fail for technical reasons and accordingly it is agreed and declared that if any of such restrictions shall be adjudged to be void as going beyond what is reasonable in all the circumstances for the protection of the legitimate business interests of the Purchasers but would be valid if part of the wording was deleted or the periods reduced or the range of activities or area dealt with reduced in scope, the said restriction shall apply with such modifications as may be necessary to make it valid and effective.

23.3 Nothing in Clause 23.1 shall prevent Thales or any Affiliate of Thales from:

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

23.3.1 acquiring after Completion, a company or business (a "Relevant Transaction"), which carries on the business of the design, development, production, marketing and supply of various secure voice recording and replay systems and products or application software for customer performance management solutions in either contact centres, public safety or wholesale trading platforms and the provision of related ancillary services (a "Relevant Business") (and the provisions of Clause 23.1.1 shall not apply to any such company or business) provided that the acquisition of the company or business carrying on the Relevant Business is an incidental part of the Relevant Transaction. For the avoidance of doubt if the aggregate sales of the company or business carrying on the Relevant Business is above 10 per cent. of the aggregate sales of all the companies or businesses acquired pursuant to the Relevant Transaction, or, if the annual turnover of the company or business carrying on the Relevant Business is in excess of $20 million, the company or business carrying on the Relevant Business shall not be regarded as incidental; and

23.3.2 the acquisition of shares or convertible debentures of a company listed on any recognised stock exchange market which is significantly (i.e. more than 10% of total sales) engaged in a business competitive with the Business, provided that Thales or any Affiliate of Thales in aggregate does not acquire directly or indirectly shares or convertible debentures which constitute or can be constituted to consist more than 5 per cent of the share capital of such company.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

23.4 In the event that Thales, pursuant to Clause 23.1, is permitted to acquire a Relevant Business Thales undertakes to inform Nice of such acquisition, in writing, in reasonable detail, within two weeks of the completion of the Relevant Transaction. Nice shall then have a period of 90 days from the date of receipt of the notice of Thales, to serve a notice of its wish to purchase the company or business carrying on the Relevant Business. The parties agree to negotiate in good faith to conclude the sale of the company or business carrying on the Relevant Business within 3 months from the date of Nice's notice stating its desire to purchase such company or business.

24 USE OF CORPORATE NAMES

The Purchasers undertake that they shall not, and will procure that the members of the Purchasers' Group shall not, make use of the Excluded Trade Marks at any time after the Completion Date, save only that the Purchasers shall be entitled from the Completion Date in connection with the Business:

(a) for a period of 6 months to use up existing stocks of trade literature, labels, manuals, packaging and other printed material bearing any of the Excluded Trade Marks or any part thereof;

(b) for a period of 3 months to continue to display any of the Excluded Trade Marks or any part thereof as it appears on any existing nameplate, building sign or vehicle;

(c) for a period of 6 months to cover or remove any of the Excluded Trade Marks or any part thereof from any existing stocks of products;

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

provided that any goodwill derived from use of the Excluded Trade Marks by the Purchasers' or members of the Purchasers' Group pursuant to this Clause 24 shall accrue to Thales.

25 PENSIONS

25.1 Each of Thales and the Purchasers shall comply, or shall procure compliance with Schedule 6 (Pensions).

25.2 Thales shall indemnify and keep indemnified the Purchasers (for themselves and as trustee for any other member of the Purchasers' Group) on demand against any liabilities, claims, actions or proceedings which may be suffered or incurred by, or made against the Purchasers or any other member of the Purchasers' Group (including without limitation all legal and other professional fees and expenses incurred) arising in connection with or as a consequence of the provision of retirement benefits (contractual or otherwise) for and in respect of the Non-UK Employees and their dependants in respect of or attributable to any period prior to Completion.

26 CONFIDENTIALITY OF INFORMATION

26.1 Each party undertakes to the other that it shall and shall procure that all members of its Group shall treat as strictly confidential all information received or obtained by it or its employees, agents or advisers as a result of entering into or performing this Agreement including information relating to the provisions of this Agreement, the negotiations relating to this Agreement, the subject matter of this Agreement or the business or affairs of the other and subject to the provisions of Clause 26.2 that it will not at any time hereafter make use of or disclose or divulge to any person such information and shall use all reasonable endeavours to prevent the publication or disclosure of any such information.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

26.2 The restrictions contained in Clause 26.1 or 26.3 shall not apply so as to prevent any party, Thales or the Companies from making any disclosure required by law or for the purpose of any judicial proceedings or by any securities exchange or supervisory or regulatory or governmental body pursuant to rules to which it is subject wherever situated or from making any disclosure to any professional adviser, auditors and bankers for the purposes of obtaining advice (provided always that the provisions of this Clause 26 shall apply to, and such party shall procure that they apply to and are observed in relation to, the use or disclosure by such professional adviser of the information provided to him) nor shall the restrictions apply in respect of any information which comes into the public domain otherwise than by a breach of this Clause 26.

26.3 Thales undertakes at all times after the Completion Date not to disclose to any other person or use any Business Information which is not in the public domain.

26.4 The restrictions contained in this Clause 26 shall continue to apply after the termination of this Agreement without limit in time.

27 CORPORATE GOVERNANCE, LOCK-UP, ORDERLY MARKETING ARRANGEMENTS, STANDSTILL AGREEMENT AND REGISTRATION RIGHTS AGREEMENT

27.1 The rights and obligations of Thales and Nice with respect to the registration under the Securities Act, of the Nice Shares issued to Thales as the Share Consideration in accordance with Clause 7.2.2 are set forth in the Registration Rights Agreement attached hereto as Schedule 11.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

27.2 The rights and obligations of Thales and Nice with respect to the corporate governance of Nice and restrictions on the trading of Nice Shares by Thales are set forth in Schedule 11.

27.3 Thales has also agreed to be bound by the terms and conditions of a stand still agreement substantially in the form of Schedule 11 hereto.

28 NOTICES

28.1 All notices and other communications relating to this Agreement:

28.1.1 shall be in English and in writing;

28.1.2 shall be delivered by hand or sent by facsimile;

28.1.3 shall be delivered or sent to the party concerned at the relevant address or number, as appropriate, and marked as shown in Clause 28.2, subject to such amendments as may be notified from time to time in accordance with this Clause 28 by the relevant party to the other party. That notice shall only be effective on the date falling 5 clear Business Days after the notification has been received or such later date as may be specified in the notice;

28.1.4 Any notice given under this Agreement shall, in the absence of earlier receipt, be deemed to have been duly given as follows:

(a) if delivered personally, on delivery;

Source: NICE SYSTEMS LTD, 20−F, June 26, 2003

(b) if sent by facsimile, when dispatched provided a valid transmission acknowledgement is obtained from the addressees' facsimile machine appears correctly at the start and end of the sender's fax.

28.2 The initial details for the purposes of Clause 28 are:

Thales SA
173 Boulevard Haussmann
75415 Paris Cedex 08
France
Facsimile n(degree) 00 33 1 53 77 82 63
For the attention of Pierre CHARRETON
Thales Group General Counsel

The Purchasers
Nice Systems
8 Hapnina Street
Raanana, 43107
Israel
facsimile n(degree)972 9775 3520
for the attention of: Koby Huberman

28.3 Any notice given under this Agreement outside normal working hours in the place to which it is addressed shall be deemed not to have been given until the start of the next period of normal working hours in such place.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

28.4 No notice under this Agreement may be withdrawn or revoked except by notice given in accordance with this Clause 28.

28.5 The provisions of this Clause 28 shall not apply in relation to the service of Service Documents

29 ANNOUNCEMENTS

29.1 The parties mutually agree to take all reasonable care to avoid any act which may reflect adversely on or be harmful to the business reputation or prestige of the other and without prejudice to the generality of the foregoing agree that (save as required by law or stock exchange regulations) any press announcements or circular letters which may be made or sent out by the Thales Group or the Purchasers and any other disclosures relating to this Agreement or its subject matter shall be subject to the prior written approval of Thales and Nice, such approvals not to be unreasonably withheld or delayed and may be given either generally or in a specific case or cases and may be subject to conditions.

29.2 The restrictions contained in this Clause 29 shall continue to apply after termination of this Agreement without limit in time.

30 ENTIRE AGREEMENT

30.1 This Agreement (together with the documents referred to herein) represent the entire agreement between the parties in relation to the subject matter of this Agreement and supersedes any previous agreement whether written or oral between the parties in relation to the subject matter. Accordingly, all other terms, conditions, representations, warranties and other statements

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

which would otherwise be implied (by law or otherwise) shall not form part of this Agreement.

30.2 Each of the parties acknowledges and agrees that this clause 30 shall not apply to any statement, representation or warranty made fraudulently or to any provision of this Agreement which was induced by, or otherwise entered into as a result of, fraud, for which the remedies shall be all those available under the law governing this Agreement.

31 COSTS

Each party shall be responsible for all the costs and expenses incurred by it in connection with and incidental to the preparation and completion of this Agreement, the other documents referred to in this Agreement and the sale and purchase of the Business and Assets.

32 AMENDMENTS AND WAIVERS

32.1 No amendment or variation of the terms of this Agreement shall be effective unless it shall be made or confirmed in a written document signed by both Nice and Thales.

32.2 No delay in exercising or non-exercise by either party of its rights under or in connection with this Agreement shall operate as a waiver or release of that right. Rather, any such waiver or release must be specifically granted in writing signed by the party granting it.

33 SEVERABILITY

Source: NICE SYSTEMS LTD, 20−F, June 26, 2003

If at any time any part of any provision of this Agreement shall be or become illegal, invalid or unenforceable in any respect under the law of any jurisdiction, then such provision shall be deemed to be severed from this Agreement and the remainder of the provisions of this Agreement shall remain valid and enforceable.

34 ASSIGNMENT

34.1 Save as otherwise provided, no party may assign any of its rights under this Agreement without the prior written consent of the others.

34.2 The parties agree that the benefits of this Agreement may be assigned (in whole or in part) by the Purchasers to, and may be enforced by, any member of the Purchasers' Group (an "Assignee"), which is the legal owner of the Business or Assets (save as provided in Clause 34.3) as if it were the relevant Purchaser under this Agreement.

34.3 Where the Purchasers or any member of the Purchasers' Group cease to hold at least 50% (fifty per cent.) of the entire issued share capital of an Assignee, the Purchasers shall procure that before they so cease, they shall assign the benefit of their rights under this Agreement to another continuing member of the Purchasers' Group.

35 CONTINUING EFFECT

Each provision of this Agreement and any other documents referred to in it which is capable of being performed after but which has not been performed at or before Completion and all Warranties, indemnities, covenants and other undertakings and obligations contained in or entered into in accordance with

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

this Agreement shall continue in full force and effect after Completion notwithstanding Completion.

36 COUNTERPARTS

This Agreement may be entered into in any number of counterparts and by the parties to it on separate counterparts but shall not be effective until each party has executed at least one counterpart, each if which when so executed and delivered shall be an original, but all counterparts together shall constitute one and the same instrument.

37 GOVERNING LAW

This Agreement shall be governed by and construed in accordance with English law and the parties submit to the non-exclusive jurisdiction of the English Courts in relation to any claim or matter arising out of this Agreement.

38 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person, who is not a party to any contract incorporating these conditions, shall have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of that contract.

39 AGENT FOR SERVICE

39.1 Thales irrevocably appoints Thales Corporate Services Limited of 2 Dashwood Lang Road, Bourne Business Park, Addlestone, Surrey KT15 2NE to be its agent for the receipt of Service Documents. It agrees that any

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

Service Document may be effectively served on it in connection with proceedings in England and Wales by service on its agent effected in any manner permitted by the Civil Procedure Rules.

39.1.1 If the agent at any time ceases for any reason to act as such, Thales shall appoint a replacement agent having an address for service in England or Wales and shall notify the other Purchasers of the name and address of the replacement agent. Failing such appointment and notification, the Purchasers shall be entitled by notice to Thales to appoint a replacement agent to act on behalf of Thales. The provisions of this Clause 39 applying to service on an agent apply equally to service on a replacement agent.

39.1.2 A copy of any Service Document served on an agent shall be sent by post to Thales. Failure or delay in so doing shall not prejudice the effectiveness of service of the Service Document.

39.2 Nice irrevocably appoints Nice CTI Systems UK Limited of 8 The Square, Stockley Park, Uxbridge, Middlesex UB11 1FW to be its agent for the receipt of Service Documents. It agrees that any Service Document may be effectively served on it in connection with proceedings in England and Wales by service on its agent effected in any manner permitted by the Civil Procedure Rules.

39.2.1 If the agent at any time ceases for any reason to act as such, Nice shall appoint a replacement agent having an address for service in England or Wales and shall notify the other Purchasers of the name and address of the replacement agent. Failing such appointment and

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

notification, the Purchasers shall be entitled by notice to Nice to appoint a replacement agent to act on behalf of Nice. The provisions of this Clause 39 applying to service on an agent apply equally to service on a replacement agent.

39.2.2 A copy of any Service Document served on an agent shall be sent by post to Nice. Failure or delay in so doing shall not prejudice the effectiveness of service of the Service Document.

39.3 "Service Document" means, for the purposes of this Clause 39 a claim form, application notice, order, judgment or other document relating to any proceedings.

40 Gross Payments

If any amount payable to the Purchasers by Thales or by the Purchasers to Thales:

(a) in respect of or in connection with any Warranty being breached, untrue or misleading or any indemnity or undertaking; or

(b) under any other clause of this Agreement;

is subject to Taxation, such additional amounts shall be paid to the Purchasers by Thales or by the Purchasers to Thales so as to ensure that the net amount received by the Purchasers or Thales is equal to the amount

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

the Purchasers or Thales should have received had the payment not been so subject to Taxation.

41 Guarantee

In consideration of Thales entering into this Agreement, Nice hereby unconditionally and irrevocably guarantees to Thales and to the Companies the performance by the Purchasers of their obligations under this Agreement and the payment of any liability of the Purchasers under this Agreement.

EXECUTION

The parties have shown their acceptance of the terms of this Agreement by executing it at the end of the Schedules.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

ATTESTATIONS

Signed by /s/ for and on behalf of THALES SA in the presence of:	)))))
Signed by /s/ for and on behalf of Nice cti systems uk limited in the presence of:	)))))
Signed by /s/ for and on behalf of Nice systems sarl in the presence of:	)))))
Signed by /s/ for and on behalf of NICE SYSTEMS GMBH in the presence of:	)))))
Signed by /s/ for and on behalf of Nice systems inc. in the presence of:	)))))
Signed by /s/ for and on behalf of NICE SYSTEMS Ltd in the presence of:	)))))

SCHEDULE 1

THE COMPANIES

THALES CONTACT SOLUTIONS LIMITED

Place of Incorporation	:	England and Wales
Registered Number	:	560700
Registered Office	:	Western Road, Bracknell, Berkshire RG12 1RG England

THALES CONTACT SOLUTIONS S.A.

Place of Incorporation	:	France
Registered Number	:	B424442135 Versailles
Registered Office	:	18 avenue Dutartre 78150 Le Chesnay France

THALES CONTACT SOLUTIONS INC.

Place of Incorporation	:	U.S.A. (Delaware)
Registered Number	:	
Registered Office	:	480 Spring Park Place Suite 1000 Herndon VA20170 USA

THALES CONTACT SOLUTIONS GMBH

Place of Incorporation	:	Germany
Registered Number	:	HRB5492 Bergisch Gladbach
Registered Office	:	Technologie Park Bergisch Gladbach Friedrich-Ebert Strasse D-51429 Bergisch Gladbach Germany

SCHEDULE 2

APPORTIONMENT

The Purchase Price will be allocated on a fair and reasonable basis on the Completion Date and thereafter as follows:

- o Intellectual Property is allocated a value of US$4,000,000 (four million dollars).

- o The net tangible assets of the Business as at the Completion Date of each of TCSL, TCS Inc., TCSA, TCS GmbH shall be allocated at fair market value in US Dollars in each case based on the Conversion Rate on the Completion Date and the Initial Purchase Price allocated accordingly to each asset of the respective Thales selling entity.

- o The CCTI stock will be valued at the nominal amount of US$1,000 (one thousand dollars).

- o The CCTI Note will be valued at a nominal amount of US$1,000 (one thousand dollars).

- o The remainder of the Initial Purchase Price and/or any adjustment thereto, shall be allocated to various intangible assets (Goodwill and Other Intangibles) and will be allocated 65% to the UK Purchaser and 35% to the US Purchaser.

- o The Earnout Consideration payable pursuant to Clause 7.8 of the Agreement will be allocated to Goodwill and will be allocated to and paid by Nice to:

TCS Inc:	85%
Thales TRC Inc:	10%
TCSL:	5%

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

- Any other payments, including payments made in respect of warranties and/or indemnity claims, shall be treated in accordance with the then current generally accepted accounting principles.

PAYMENT SHALL BE EFFECTED AS FOLLOWS:

Item	Seller	Acquirer
UK Business	TCSL	UK Purchaser
French Business	TCSA	French Purchaser
German Business	TCS GmbH	German Purchaser
US Business	TCS Inc.	US Purchaser
Business IPR	Thales Electronics PLC	Nice
Cliffstone Shares	Thales TRC Inc.	UK Purchaser
Cliffstone Note	Thales TRC Inc.	US Purchaser
Earnout Consideration	TCS Inc.: 85%	Nice: 100%
	Thales TRC Inc.: 10%	
	TCSL: 5%	

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

SCHEDULE 3

THE BUSINESS PROPERTIES

PART 1 - LIST OF PROPERTIES

A - HEDGE END PROPERTY

Tollbar Way
Hedge End
Southampton
Hampshire
SO30 2ZP

B - RELEVANT BUSINESS PROPERTIES

UNITED KINGDOM

418/419,
150 Minories
London
EC3N 1LS

UNITED STATES

1 480 Spring Park Place
Suite 1000
Herndon
VA 20170

2 Part 35th Floor
One Penn Plaza
New York

FRANCE

1 18 avenue Dutartre
78150 Le Chesnay
France

2 14 Rue des Erables
78150
Rocquencourt
France

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

GERMANY

1 Technologie Park Bergisch Gladbach
Friedrich–Ebert Strasse
D–51429 Bergisch Gladbach
Germany

2 Buro Nr. 7
Stock des Hauses Wittestr 30K
13509
Berlin

REPUBLIC OF IRELAND

Arena House
Arena Road
Sandyford
Dublin 18

THE NETHERLANDS

Bedrijvencentrum Gadering
Hoefsmidstraat
319 4 AA Hoogvliet
The Netherlands

SPAIN

222, De La Calle Arturo Sonia
Madrid
Spain

PART 2 - HEDGE END PROPERTY SUBLEASE

1. On or after Completion and subject to the provisions of the rest of this Schedule 3 Part 2 Thales shall procure the granting of by Thales Properties Limited and the Purchasers shall procure that the UK Purchaser shall take a sublease of the Hedge End Property in the agreed form subject to any variations or amendments agreed between the parties (both acting reasonably).

2. Thales shall at its own expense use all reasonable endeavours to procure the written consent of the landlord and the superior landlord of the Hedge End Property (both hereinafter referred to as "the Hedge End Landlord") by deed to the granting of the sublease of the Hedge End Property referred to in paragraph 1 (the "Landlord's Consent") and will promptly make application for Landlord's Consent and will supply a copy of its application for Landlord's Consent to the UK Purchaser and will keep the UK Purchaser informed of progress with the application for Landlord's Consent.

3. The UK Purchaser shall in connection with Thales' application for Landlord's Consent promptly supply such information including accounts and references and provide such assistance to Thales as may reasonably be required to ensure that Landlord's Consent can be obtained at the earliest practical date.

4. The Purchasers shall in pursuance of the application for Landlord's consent procure that the UK Purchaser enters into direct covenants with the Hedge End Landlord in the form reasonably required by the Hedge End Landlord to pay the rents reserved by and observe and perform the covenants and conditions contained in the proposed sublease of the Hedge End Property and if reasonably so required the Purchasers will procure a guarantee from Nice for the purposes of Landlord's Consent (but for the avoidance of doubt no other or further guarantee or other form of security or payment) in respect of such obligations such guarantee to be in a form reasonably acceptable to the Hedge End Landlord.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

5. If the Hedge End Landlord refuses Landlord's Consent and the UK Purchaser wishes to remain in occupation of the Hedge End Property then:

5.1 Unless the UK Purchaser and Thales both agree that the Landlord is entitled to refuse consent, Thales shall procure that Thales Properties Limited will at the joint cost of Thales and of the UK Purchaser promptly apply to a court of competent jurisdiction for a declaration that the Landlord's Consent has been unreasonably refused and shall diligently pursue such proceedings and shall keep the UK Purchaser fully informed of its application to the court and of the court's decision and will not without the UK Purchaser's consent withdraw or settle such proceeding.

5.2 If the UK Purchaser and Thales are unable to agree whether the Landlord's Consent is being unreasonably refused then either party may at any time elect to refer the matter to a UK qualified barrister of not less than 10 years' call and experience in property matters ("Counsel") for determination. The identity of such Counsel shall be agreed between the UK Purchaser and Thales both acting reasonably or in the absence of agreement as to the identity of Counsel the matter shall be referred by either party to the Chairman of the Bar Council or his duly appointed deputy who shall appoint Counsel to determine the issue. If Counsel's opinion is that there is a 50% or greater than 50% chance of success in an application for a declaration that the Landlord is unreasonably refusing consent then Thales shall procure that Thales Properties will apply to a court of competent jurisdiction for a declaration in accordance with the provisions of paragraph 5.1 above.

5.3 The fees of Counsel shall be shared equally between Thales and the UK Purchaser.

6. The UK Purchaser shall be deemed to lease with full knowledge and notice in all respects of the actual state and condition of the Hedge End Property and shall take the same in that state and condition.

7. Insofar as any of the obligations covenants or conditions relating to the Hedge End Property contained in this Agreement remain to be observed or performed this Agreement shall continue in full force and effect notwithstanding Completion.

8. If Landlord's Consent has not been obtained on or before Completion the following provisions shall apply:

8.1 Thales and the Purchasers shall remain bound to each other in respect of the remaining provisions of this Agreement;

8.2 completion of the proposed sublease shall be postponed to the tenth Business Day after whichever is the later of:-

8.2.1 receipt by Thales of Landlord's Consent;

8.2.2 the provision of an engrossment of the agreed form of sublease for the Hedge End Property to the UK Purchaser or its solicitors; or

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

8.2.3 grant of the Court Order referred to in paragraph 14.

9.1 If:

9.1.1 the Hedge End Landlord complains in writing about the occupation of the Hedge End Property by the UK Purchaser and requires the UK Purchaser to immediately vacate the Hedge End Property and threatens to take proceedings to recover possession of the Hedge End Property either party shall be entitled by giving at least 7 days' notice in writing to the other party (accompanied in the case of any notice served by Thales or Thales Properties by a copy of the Hedge End Landlord's letter requiring the UK Purchaser to vacate) at any time thereafter (but before Landlord's Consent is granted) electing to withdraw the Hedge End Property from this part of this Schedule of this Agreement; or

9.1.2 the UK Purchaser shall at any time prior to grant of Landlord's Consent serve at least 3 months' written notice of its desire to terminate this part of this Schedule to this Agreement; or

9.1.3 the Hedge End Landlord takes any steps to interfere with or prevent access to or use of the Hedge End Property by the UK Purchaser the UK Purchaser shall be entitled by giving at least one day's written notice to the other party to terminate this part of the Schedule of this Agreement.

THEN upon expiry of the notice referred to in paragraph 9.1.1 9.1.2 or 9.1.3 above (as appropriate) the provisions of this part 2 of Schedule 3 of this Agreement shall cease and be of no further effect (but without prejudice to any antecedent breach of this Agreement) but the provisions of paragraph 9.2 shall apply.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

9.2 Upon expiry of any notice served pursuant to paragraph 9.1.1 or 9.1.2 or 9.1.3 above the following provisions shall apply:

9.2.1 Thales and the Purchasers shall be released from any obligation to complete the proposed sublease of the Hedge End Property (but without prejudice to any antecedent breach of this Agreement);

9.2.2 the Hedge End Property shall be promptly vacated and the UK Purchaser shall deliver it up with vacant possession to Thales in accordance with the terms of this Agreement and the UK Purchaser shall cease to be a licensee and shall as soon as reasonably practicable make good any damage caused by it or any of its licensees or visitors or agents to the Hedge End Property to Thales' reasonable satisfaction; and

9.2.3 the Purchasers shall forthwith remove any registration of this Agreement whether by way of caution or otherwise in any registers relating to the Hedge End Property.

10. The following provisions of this paragraph shall apply in the case of the Hedge End Property with respect to the period from the date of Completion to whichever is the earlier of the date of the grant of the proposed sublease of the Hedge End Property and the date of exclusion of the Hedge End Property from this part of this Schedule of this Agreement under paragraph 9 (the relevant date being referred to in this paragraph and in paragraphs 11 and 13 below as "the End Date"):

10.1 the UK Purchaser shall enter the Hedge End Property and occupy it as licensee only according to the terms of this part of this Schedule of this Agreement;

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

10.2 from Completion to the End Date (both dates inclusive):

10.2.1 the UK Purchaser shall be responsible for, and if necessary reimburse Thales against all rates water rates insurance service charges and other outgoings and also for all gas electricity and other services consumed at the Hedge End Property;

10.2.2 the UK Purchaser shall pay to Thales Properties Limited an amount equal to the rent reserved and other payments payable under the proposed sublease of the Hedge End Property as and when the same fall due and shall observe and perform the covenants and conditions on the part of the tenant contained in the proposed sublease of the Hedge End Property (as far as consistent with a licence and so far as they are not inconsistent with the provisions of this Part 2 of Schedule 3 of this Agreement) and the terms of this part of this Agreement and shall indemnify Thales Properties Limited fully against all proceedings proper costs claims demands expenses loss and liability of whatsoever nature and howsoever arising out of any breach non-observance or non-performance of those covenants provided that the UK Purchaser shall only be required to pay value added tax upon production to it of a valid value added tax invoice containing the particulars prescribed in Regulation 14 of the Value Added Tax (General) Regulations 1995 (as amended);

10.2.3 the UK Purchaser shall bear all third party public liability and employer's liability risks attached to the occupation and use of the Hedge End Property.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

10.2.4 Thales shall procure that Thales Properties Limited shall observe and perform the conditions on the part of the lessor in the proposed sublease of the Hedge End Property (so far as consistent with a licence and so far as they are not inconsistent with the provisions of this Part 2 of Schedule 3 of this Agreement).

11. The UK Purchaser shall in respect of the Hedge End Property from the date of completion until the End Date not purport to:

11.1 grant give issue or agree to grant give or issue any consent or approval;

11.2 vary or waive performance or observance or agree to vary or to waive performance or observance of any of the terms of any document relating to the Hedge End Property (except the proposed sublease);

11.3 serve any notice (whether contractual common law or statutory) on the Hedge End Landlord or issue any proceedings or take any step in any proceedings (provided that for the avoidance of doubt any proceedings issued or steps taken in any proceedings relating to a breach by Thales of its obligations under this Agreement and any steps taken in connection with any proceedings issued pursuant to paragraph 5 of this part of this Schedule shall not be deemed to be a breach of this paragraph 11.3); or

11.4 grant or agree to grant any lease licence or other document under which any person shall be entitled to occupy any part or parts of the Hedge End Property provided that the UK Purchaser shall be entitled to share occupation of the Hedge End Property with any

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

group company (as that expression is defined in section 42 of the Landlord and Tenant Act 1954) provided that no relationship of landlord and tenant is created by such sharing of occupation and provided that if the UK Purchaser vacates the Hedge End Property in any of the circumstances envisaged in paragraph 9.1 of this part of this Schedule it shall procure that any sharing company shall also vacate the Hedge End Property and provided that details of any such group company are notified to Thales before the commencement of such sharing.

12.1 The UK Purchaser shall promptly notify Thales Properties Limited in writing of any notice application registration or other communication which the UK Purchaser may give or receive in respect of the Hedge End Property (but excluding any value added tax election notices or acknowledgements served or received by the UK Purchaser).

12.2 Thales shall procure that Thales Properties Limited will notify the UK Purchaser in writing of any notice or application registration or other communication which Thales Properties Limited may give or receive in respect of the Hedge End Property.

13. The UK Purchaser agrees with Thales Properties Limited in respect of the Hedge End Property for the period from the date of Completion up to the End Date it will:

13.1 not carry out any alteration or addition to the said Property nor change the existing use of the said Property provided that the UK Purchaser shall be entitled to reconfigure the Hedge End Property and carry out internal non structural alterations without consent but subject to first notifying Thales Properties Limited of the proposed works and subject to the UK Purchaser reinstating any works which it has carried out pursuant to this paragraph 13.1 to Thales' reasonable satisfaction if it is required or chooses to vacate the Hedge End Property in accordance with sub-paragraphs 9.1.1 or 9.1.2 or 9.1.3 hereof;

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

13.2 not make any application for planning permission;

13.3 not make any application to the Hedge End Landlord (but provided that any steps which the UK Purchaser takes pursuant to this part of this Schedule 3 in order to facilitate grant of Landlord's Consent shall not be considered a breach of this obligation);

13.4 promptly notify Thales in writing of any notice received of any breach or infringement or alleged or perceived breach or infringement of any obligation restriction stipulation condition right declaration or other matter relating to the Hedge End Property and of which breach or infringement or alleged or perceived breach or infringement the UK Purchaser or anyone authorised on behalf of the UK Purchaser has knowledge.

14. Thales shall procure that Thales Properties Limited and the UK Purchaser shall at Thales' cost apply to the Court for an order excluding the security of tenure provisions of the Landlord and Tenant Act 1954 (as amended) in respect of the sublease of the Hedge End Property to be granted pursuant to paragraph 1 of this part of this Schedule and shall use all reasonable endeavours to obtain the same. The grant of the sublease is conditional on the relevant Court order being obtained.

15. From the date of this Agreement until the date on which the Underlease dated 9 July 1998 between Whitbread plc (1) Archer Communications Systems Limited (2) and Racal Electronics plc (3)

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

("the Underlease") has been assigned (with the Hedge End Landlord's written consent) to Thales Properties Limited Thales shall procure that Thales Properties Limited shall:

15.1 observe and perform the conditions on the part of the assignee pursuant to the Agreement for Assignment dated 12 March 2001 between Archer Communications Systems Limited (1) and Thales Properties Limited (2) ("the Agreement to Assign");

15.2 not rescind the Agreement to Assign pursuant to clause 6.1 of the Agreement to Assign or any variation thereof or otherwise terminate the Agreement to Assign;

15.3 not vary the Agreement to Assign without the consent of the UK Purchaser;

15.4 take all reasonable steps to procure such extension of the expiry date referred to in clause 6 of the Agreement to Assign as is sufficient in all the circumstances to enable assignment of the Underlease to Thales Properties Limited to take place.

16. Thales shall at its own cost procure that Thales Properties Limited shall take all necessary steps and use all reasonable endeavours to obtain grant of a valid fire certificate in respect of the Hedge End Property as it exists at the date of Completion provided that Thales shall not be liable hereunder to obtain the grant of a valid fire certificate in respect of any alterations carried out to the Hedge End Property by the UK Purchaser.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

DATED 2002

THALES PROPERTIES LIMITED (1)

THE UK PURCHASER (2)

NICE (3)

SUBLEASE

OF

OFFICE BUILDING AT HEDGE END

EASTLEIGH HAMPSHIRE

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

THIS SUBLEASE is made the day of 2002

BETWEEN:

(1) the Lessor THALES PROPERTIES LIMITED (Company number 1153834) whose registered office is at Western Road Bracknell Berkshire RG12 1RG and whoever for the time being owns the interest in the Premises which gives the right to possession of them when this Lease ends

(2) the Lessee [THE UK PURCHASER] whose registered office is at [ ] and (so far as the law admits or allows) whoever for the time being is entitled to the Premises under this Lease and (if the Lessee is an individual) the Lessees Personal Representatives

(3) the Guarantor [NICE] whose registered office is at [ ]

1. DEFINITIONS

1.1 The following terms used in this Lease (with necessary variations) have the following meanings unless the context otherwise requires:-

"CONDUITS" means sewers pipes wires drains cables and other conducting media and ancillary equipment for the passage of Utilities

"THE HEADLEASE" means a Lease dated 19 July 1989 and made between Midland Bank Pension Trust Limited (1) and Whitbread & Company plc (2) as varied by a Deed of Variation dated 2 February 1995 and made between Midland Bank Pension Trust Limited (1) and Whitbread (2)

"THE INSURED RISKS" has the same meaning as is given to that expression in the Headlease

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

"INTEREST" means interest at the rate of four per centum above the base rate of Bank of Scotland plc from time to time (or of such other London Clearing Bank as the Lessor may by notice in writing to the Lessee nominate from time to time) during the period from the date on which the expenditure is incurred or from which the interest is to run to the date of payment as well before as after any judgment

"THE INTERMEDIATE LANDLORD" means the Landlord under the Intermediate Lease and includes its successors in title (if any) its and their Superior Landlords

"THE INTERMEDIATE LEASE" means an Underlease dated 9 July 1998 between Whitbread plc (1) Archer Communications Systems Limited (2) and Racal Electronics plc (3)

"THE LESSOR'S SURVEYOR" means any suitably qualified chartered surveyor or firm appointed by or acting for the Lessor (including an employee of the Lessor) to perform the function of a Surveyor for any of the purposes of this Lease

"NOTICES" all notices required in this Lease shall be in writing addressed (in the case of notices to be served on a company) to the registered office of the party served and all demands shall be in writing

"THE PAINTING YEARS" means those years in which the Headlease requires the exterior and interior (as the case may be) of the Premises to be painted

"PERMITTED PART" means either a complete floor of the Premises (save for toilet staircases and corridors used in common) a complete wing of the Premises or a complete floor within a wing of the Premises (in each case save as aforesaid)

"THE PLANNING ACTS" means the Town & County Planning Act 1990 the Planning (Consequential Provisions) Act 1990 the Planning (Listed Buildings and Conservation Areas) Act 1990 the Planning (Hazardous Substances) Act 1990 and all other legislation relating to town and country planning

"THE PREMISES" means the whole of the office building at Hedge End, Eastleigh being the whole of the premises comprised in the Intermediate Lease

"THE RENT" means from and including the Term Commencement Date the yearly rent of (pound)420,000 or such other aMOUNT as is payable as rent from time to time under this Lease following increase and review in accordance with Clause 6 of this Lease

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

"REVIEW DATE" means 24 June 2004 and 24 June 2009

"REVIEW PERIOD" means each period on and from a Review Date to and including the date immediately before the next succeeding Review Date or (as the case may be) on and from the relevant Review Date to and including the date of expiry of the Term

"THE SPECIFIED USE" means use as offices

"THE SUPERIOR LANDLORD" means the landlord under the Headlease and includes its successors in title (if any) its and their superior landlords

"THE TERM" means a term from and including the Term Commencement Date to and including 19 June 2014 but subject always to the provisions for earlier termination herein contained

"THE TERM COMMENCEMENT DATE" means [ ] 2002

"UTILITIES" means water gas electricity telephone drainage soil air heating and other services or utility supplies

1.2 References to any right exercisable by or permissions granted to the Lessor shall unless expressed to the contrary include the exercise of such right or permission by the Superior Landlord the Intermediate Landlord and those persons authorised by the Lessor or the Superior Landlord or the Intermediate Landlord respectively and unless otherwise expressed in this Lease any consent or permission required of the Lessor shall be deemed to include a requirement for and be conditional upon the issue of such consent or permission from the Superior Landlord and the Intermediate Landlord and the payment of their respective reasonable costs fees and disbursements (including Value Added Tax) for such consent

1.3 Any covenant by the Lessee not to do any act or thing shall include an obligation not to permit such act or thing to be done

1.4 Unless expressed to the contrary all rights of entry granted to the Lessee or reserved to the Lessor under this Lease shall be exercisable only at reasonable times and upon reasonable prior written notice (except in case of emergency when no notice need be given)

Source: NICE SYSTEMS LTD, 20−F, June 26, 2003

1.5 Where the context so admits or requires the singular shall include the plural and vice versa the masculine gender shall include the feminine and neuter genders and vice versa and where the Lessor or the Lessee or any Guarantor shall be two or more individuals expressed or implied to be made by or with any such individuals shall be deemed to be made by or with them jointly and severally

1.6 Any reference to statute whether specifically or in general shall include any statutory extension modification or re-enactment of it and all regulations by-laws directions or orders made under it or deriving validity from it

1.7 Paragraph and Schedule headings the index and the front sheet do not form part of this Lease and shall not be taken into account in the construction or interpretation of it

1.8 Unless expressly stated to the contrary nothing in this Lease confers on any one other than the parties to it any right pursuant to the Contracts (Rights of Third Parties) Act 1999

2. DEMISE RENT AND TERM

In consideration of the rent reserved and of the Lessees and the Guarantors covenants contained in this Lease the Lessor (at the request of the Guarantor) demises the Premises to the Lessee for the Term TOGETHER WITH the rights (in common with the Lessor and all others entitled to exercise such rights) specified in the First Schedule but RESERVING to the Lessor (in common with all others from time to time entitled to exercise such rights) the rights specified in the Second Schedule and SUBJECT to the matters referred to in Part II of the Third Schedule to the Headlease and to the matters contained in the Property and Charges Registers of Title Number HP389500 (so far as such matters in each case continue to affect the Premises and are capable of being enforced) the Lessee PAYING in each year the Rent clear of all deductions by equal quarterly payments in advance on the usual quarter days the first payment to be made on the day of 2002

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

3. LESSEES COVENANTS

The Lessee covenants with the Lessor as follows:-

3.1 RENT

To pay without any deduction or set off the Rent on the days and in the manner mentioned in Clause 2

3.2 OUTGOINGS

To pay and indemnify and keep indemnified the Lessor against all rates taxes charges assessments and outgoings whatsoever (including but not limited to Uniform Business Rate) during the Term assessed or charged in respect of the Premises or any part of them or on the owner or occupier of them whether or not in the nature of those now in being (but excluding any payable by the Lessor as a result of any disposal of dealing with or ownership of the Lessor's interest in this Lease or its receipt of the rents)

3.3 PUBLIC UTILITIES

To pay and keep the Lessor indemnified against all charges for Utilities used in the Premises during the Term and the cost of the periodic rental of any meters and other equipment supplied to the Premises during the Term

3.4 STATUTORY REQUIREMENTS

At the Lessee's expense (and to the reasonable satisfaction of the Lessor's Surveyor) to comply with the requirements of any present or future statutes and/or of any competent authority in respect of the Premises or their use whether by the owner or by the occupier of them and not to do any act or thing by reason of which the Lessor may under any such statutes and/or the requirements of any such authority incur or have imposed upon it or become liable to pay any levy penalty damages compensation costs charges or expenses and to keep the Lessor indemnified against all breaches of the provisions of such statutes and/or requirements and all costs damages and expenses incurred under them and produce to the Lessor such licences consents and other documents and evidence as the Lessor may reasonably require in order to satisfy itself that the provisions of this Clause 3.4 have been complied with in all respects

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

3.5 ALTERATIONS

Not to cut or maim any part of the Premises nor make any addition improvement or alteration to the Premises either external or internal whether structural or otherwise PROVIDED THAT on obtaining the written consent of the Lessor (such consent not to be unreasonably withheld or delayed) the Lessee may make additions or alterations to the interior of the Premises of a non-structural nature PROVIDED HOWEVER THAT any such consent shall in addition to any other reasonable covenants contain (and if not so contained shall be deemed to imply) a covenant that if required the Lessee shall at the determination of the Term reinstate and make good the Premises as if such additions or alterations had not been made and PROVIDED FURTHER that no such consent shall be required for the installation or removal of demountable partitioning

3.6 REPAIRS

3.6.1 At all times during the Term to observe and perform the covenants and conditions as to repair on the part of the tenant contained in the Headlease (but subject always to the exceptions therein contained) and to indemnify the Lessor from and against any actions proceedings claims damages costs expenses or losses arising from any breach non-observance or non-performance of those covenants and conditions both during and at the end of the Term PROVIDED however that nothing in this Lease shall require the Lessee to put keep or hand back the Premises in any better state of repair decoration or condition than that subsisting at the date of this Lease as evidenced by the Schedule of Condition attached to the Intermediate Lease

3.6.2 To be responsible for an make good any damage caused by the bursting or overflow or obstruction of any part of the water sanitary or

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

heating installation in or serving the Premises arising as a result of any act or omission of the Lessee or its subtenants servants or agents

3.6.3 To keep clean the windows in the Premises and to clean them at least once a month

3.7 DECORATION

To paint with at least two coats of good quality paint or such other treatment as may be appropriate in a good and workmanlike manner all parts of the Premises usually painted or treated in each of the Painting Years all painting or treatment during the last three months of the Term to be first approved in writing by the Lessor (such approval not to be unreasonably withheld or delayed) and at the same time with every painting or other treatment throughout the Term to varnish colour or treat such parts of the Premises as are usually so treated

3.8 INSURANCE CHARGE, ITEMS OF COMMON USE ETC.

To pay to the Lessor on written demand the whole of (a) the Insurance Charge payable under the Headlease (b) all reasonable costs and expenses properly incurred from time to time by the Intermediate Landlord under the provisions of paragraphs 5, 6, 7.02 and 8 of the Fifth Schedule to the Headlease (save to the extent that any costs fees and expenses arising under those paragraphs relate to a breach consequent upon an act or omission of the Intermediate Landlord and/or the Superior Landlord) and (c) a fair and reasonable proportion to be reasonably determined by the Intermediate Landlord's Surveyor of any sums (including fees reasonably and properly incurred) which the Intermediate Landlord may properly expend for the repair painting lighting cleaning replacing renewal (where beyond reasonable economic repair) maintenance and preservation of all passage ways pavements roads areas Conduits party walls party structure fences or other conveniences belonging to or used or enjoyed in common between

Source: NICE SYSTEMS LTD, 20−F, June 26, 2003

the Premises and adjoining or neighbouring land or premises together with an additional reasonable sum by way of the any administration charge payable by the Landlord to the Intermediate Landlord

3.9 ENTRY TO INSPECT ETC.

3.9.1 To permit the Lessor with all necessary materials and equipment at reasonable times to enter the Premises to view their condition whereupon the Lessor may serve upon the Lessee notice specifying any breach of covenant for which the Lessee is liable under this Lease and if the Lessee shall not have rectified such breach within two calendar months after service of such notice or within such shorter period as may reasonably be specified by such notice the Lessor may without further notice enter the Premises to execute the works required to rectify such breach (and the Lessee shall give the Lessor all necessary facilities so to do) and the proper cost incurred by the Lessor in so doing together with Interest from the date such cost shall have been incurred to the date of payment shall be paid by the Lessee to the Lessor upon demand and shall be recoverable from the Lessee as a debt or (at the Lessor's option) as rent in arrear

3.9.2 To permit the Lessor at reasonable times to enter the Premises to exercise any of the rights which the Lessor has under this Lease and for any other purpose connected with the Lessor's interest in the Premises including (but not limited to) inspection of the Health and Safety File referred to in Clause 3.17.13 and 3.21 the persons entering making good any damage caused to the Premises by such entry without unreasonable delay and provided that the Lessor causes as little interference or disturbance to the Lessee's business as reasonably possible the lessor shall not be liable to pay compensation in respect of the same to the Lessee

3.10 USE RESTRICTIONS

3.10.1 Not to use the Premises or any part of them for any illegal or immoral purpose nor for any noisy or offensive trade or business nor

for anything which may become a nuisance or damage to the owners or occupiers of adjoining or neighbouring premises Provided that the provisions of this clause 3.10.1 shall not prevent the Lessee from using the Premises for what they normally use their premises for if the Lessee is not by doing so in breach of any of its other covenants in this Lease

3.10.2 Not to discharge any trade or deleterious wastes or anything corrosive or harmful into the sewers nor anything but storm water and surface water into the surface water drains nor anything which may cause any obstruction or deposit in the sewers or drains serving the Premises and to take all reasonable precautions to prevent any leakage or escape of water or gas from the Premises

3.10.3 Not to allow on the Premises anything which is or may be dangerous radioactive or explosive or specially combustible or inflammable

3.10.4 Not to trade or display goods or (save as expressly provided by this Lease) erect or place signs or advertising material outside the Premises nor to cause any obstruction outside the Premises

3.10.5 Not to use on the Premises any machinery (other than such machines as shall be reasonably necessary for the Specified Use) without the prior written consent of the Lessor and in particular (but without limiting the generality of these covenant) not to use on the Premises any coin or token operated gaming machines nor any equipment machinery or other thing which shall cause dangerous vibrations or overloading of the electrical circuits serving the Premises

3.10.6 Not at any time at such a volume as to be obstructively audible outside the Premises to play in the Premises any musical instrument or sound reproducing amplifying or receiving equipment

3.10.7 Not to erect any pole mast aerial wire or dish for receiving satellite transmissions upon the outside of the Premises or upon the inside of the Premises where visible from the outside save where the permitted use of the Premises necessarily requires the same and then only with the Lessor's prior written consent (not to be unreasonably withheld or delayed)

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

3.11 SPECIFIED USE

Not to use the Premises except for the Specified Use 3.12 EASEMENTS ETC.

To use all reasonable endeavours to prevent any easement or right benefiting the Premises from being obstructed or lost and not to allow any encroachment easement or right to be made acquired or attempted to be made or acquired over the Premises nor to acknowledge that any right enjoyed by the Premises is enjoyed by consent of any other person and to give immediate notice to the Lessor if any easement right or encroachment affecting or likely to affect the Premises shall be made or attempted and at the Lessor's request but the joint cost of the Lessee and the Lessor to take such steps as may be reasonably required to prevent or licence such easement right or encroachment failing which within a reasonable period the Lessor and others authorised by it may enter the Premises and take such steps and the reasonable cost properly incurred by the Lessor arising out of the Lessee's failure to take such steps together with interest shall be paid by the Lessee to the Lessor on demand

3.13 SIGNS ETC.

Not to display any signs notices or advertisements in or on the Premises without the prior written approval in writing of the Lessor such approval not to be unreasonably withheld or delayed so long as the Lessee shall comply with the provisions of paragraph 15 of the Fifth Schedule to the Headlease

3.14 LETTING NOTICES

To permit the Lessor to affix to the Premises (but so as not materially to obscure the windows or materially to interfere with or disturb the Lessee's permitted use of the Premises) a letting notice (during the last six months of the Term) and (at any time during the Term) a "for sale" notice which notices in either case (provided they do not interfere with or disturb the Lessee's permitted use of the Premises) shall not be moved removed or obscured and to permit persons with written authority from the Lessor or its agents on prior notice at reasonable times of the day to view the Premises

3.15 EXPENSES

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

To pay all reasonable expenses (including professional fees and costs) properly incurred by the Lessor the Intermediate Landlord or the Superior Landlord and any of their respective professional advisers incidental to

3.15.1 the preparation and service of notices under or in or in bona fide contemplation of proceedings under Sections 146 and/or 147 of the Law of Property Act 1925 and/or under the Leasehold Property (Repairs) Act 1938 notwithstanding that any right of re-entry or forfeiture may have been waived by the Lessor or any notice served on the Lessee may have been complied with or forfeiture is avoided otherwise than by relief granted by the Court

3.15.2 the enforcement whether during or after the end of the Term of any of the Lessee's covenants and the preparation and/or service of all notices and schedules relating to breaches of the Lessee's covenants (including all inspections necessary for the preparation and/or service of such notices or schedules and/or for ascertaining compliance with them)

3.15.3 all reasonable costs properly incurred in connection with all applications by the Lessee for any consent required under this Lease or any request made by the Lessee relating to the Premises whether under this Lease or otherwise and whether or not such consent is refused or such application withdrawn but not where the same is unlawfully or unreasonably withheld or delayed

3.15.4 the recovery of any arrears of rent or other monies payable under this Lease

3.16 RETURN POSSESSION

At the end of the Term (however it ends) to return possession of the Premises to the Lessor clean and in the state of repair and decoration in which this Lease requires the Lessee to keep them and having first replaced any Lessor's fixtures and fittings which may be missing or damaged with others of a similar kind and quality to the reasonable satisfaction of the Lessor's Surveyors and (unless the Lessor shall in writing have relieved the Lessee of such obligation) having removed or effaced all signs and having removed all tenants and trade fixtures

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

and fittings and partitioning from and reinstated the Premises to their state and condition subsisting prior to the carrying out of any alterations or additions made during the Term and having made good to the Lessor's reasonable satisfaction and at the Lessee's expense any damage resulting from such removal and effacing and reinstatement and from the removal of any tenant's and trade fixtures and fittings

3.17 ASSIGNMENT, UNDERLETTING ETC.

3.17.1 Not to assign or charge only part of the Premises

3.17.2 Not to charge by way of fixed charge the whole of the Premises without the prior written consent of the Lessor (which shall not be unreasonably withheld in respect of a bona fide charge in favour of a clearing bank or other major financial institution) provided that no consent will be required for a floating charge over the whole

3.17.3 Not to assign the whole of the Premises without the prior written consent of the Lessor (which it will not unreasonably withhold or delay) PROVIDED that the Lessor shall be entitled to withhold its consent (i) if it shall not be satisfied (acting reasonably) that the proposed assignee is of adequate financial standing and is capable of paying the rents payable under and observing and performing the Lessee's covenants and the conditions contained in this Lease and that the Lessor shall be entitled (ii) to require the Lessee to pay to the Lessor all rents and other ascertainable sums which shall have fallen due (unless they are the subject of a bona fide dispute) prior to the date of the assignment (iii) to require that the Lessee enter into a Deed in such form as the Lessor may reasonably require by which the Lessee shall guarantee payment of the rents and performance and observance of the Lessee's covenants and the conditions contained in this Lease by the proposed assignee so long as this Lease shall remain vested in the assignee such Deed being an Authorised Guarantee Agreement for the purposes of the Landlord and Tenant (Covenants) Act 1995 ("the 1995 Act") (iv) to require that any proposed assignee shall before being allowed into occupation enter into direct obligations with the Lessor in a

form which the Lessor shall reasonably require and either (v) to require (if the Lessor shall reasonably so determine) that not more than two guarantors for that assignee reasonably acceptable to the Lessor shall enter into obligations by Deed in favour of the Lessor in the form set out in the Second Schedule to this Lease (mutatis mutandis) or (vi) (where no guarantee under (v) is given) to require (if the Lessor shall reasonably so determine) the proposed assignee to execute and deliver to the Lessor prior to the assignment a Rent Deposit Deed in such form and for such sum as the Lessor shall reasonably determine and pay by way of cleared funds the whole of the sum so determined

3.17.4 Save for an underletting of the whole or a Permitted Part of the Premises in accordance with the following provisions of this Clause 3.17 or an assignment or charge in accordance with the preceding provisions of this clause 3.17 not to underlet share part with possession or occupation of or grant any licence or declare any trust in respect of the whole or any part of the Premises and not in any event to permit or create more than three occupancies in the Premises PROVIDED THAT the Lessee may permit any member of the same group of companies as the Lessee or of the Guarantor or any associated company to occupy the whole or part of the Premises without the consent of the Lessor so long as the relationship of landlord and tenant is not thereby created and so long as such occupation shall be terminated upon such member ceasing to be a member of such group or an associated company as aforesaid and provided that the Lessee shall keep the Lessor informed of the identity of all such occupiers of the Premises

3.17.5 Not to underlet the whole or a Permitted Part of the Premises without the prior written consent of the Lessor (which shall not be unreasonably withheld) in the case of an underletting at the best rent reasonably obtainable for the premises being underlet without taking a fine or premium and containing (i) provisions for the upward review of the rent at the same dates as provided by this Lease and (ii) no provisions in

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

any way commuting rent and (iii) other obligations on the part of the underlessee consistent with and no less onerous than the obligations of the Lessee under this Lease (other than the covenant to pay the rent reserved by this Lease)

3.17.6 That every underlease and sub-underlease whether mediate or immediate shall contain no less onerous restrictions on assignment underletting parting with possession sharing occupation and granting of licences and the same provisions for direct covenants and registration as are contained in this Lease

3.17.7 To procure that any proposed underlessee shall before being allowed into occupation enter into a direct covenant with the Lessor to perform and observe all the Lessees covenants (other than the covenant to pay rent) and the conditions contained in this Lease so far as they relate to or affect the underlet premises and so long as the term to be created by such underlease shall remain vested in such underlessee and (if the Lessor shall so reasonably require) that respectable and responsible guarantors for such underlessee shall enter into covenants by Deed in favour of the Lessee and the Lessor in such form as the Lessor may reasonably require in the light of the proposed underlessee's liabilities

3.17.8 Not to waive expressly or impliedly any of the covenants imposed in any underlease but upon any breach forthwith to use all reasonable endeavours to enforce those covenants

3.17.9 To procure that any provisions for the review of rent under any underlease shall be pursued diligently and upon request to provide the Lessor with such information as it shall reasonably require in connection with such review

3.17.10 To give the Lessor notice (and if the Lessor reasonably so requires at the Lessee's expense to procure that some other person or corporation acceptable to the Lessor executes a guarantee in such form as the Lessor shall reasonably require) within fifty six days of the death or bankruptcy during the Term of any person who has or shall have guaranteed to the Lessor the payment of the rent and the observance

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

and performance of the Lessees covenants under this Lease or of such person (being a company) suffering a receiver to be appointed or passing a resolution to wind up or entering into liquidation

3.17.11 Not to reduce the rent payable nor to vary any of the provisions of nor to give any consent required under any permitted underlease without the previous written consent of the Lessor which shall not be unreasonably withheld or delayed where such consent if required under this Lease is not to be unreasonably withheld or delayed

3.17.12 At the request of the Lessor to use its reasonable endeavours to terminate lawfully any underlease which is not permitted under this Lease

3.17.13 Upon completion of each assignment of this Lease to deliver to the assignee the duplicate of any Health and Safety File for the Premises prepared under the Construction (Design and Management) Regulations 1994 ("the CDM Regulations") complete and fully up dated and obtain a written acknowledgement from the assignee of receipt of such duplicate and of its understanding of the nature and purpose of the File and promptly to produce to the Lessor a true copy of such acknowledgement

3.17.14 To procure that before the grant of any underlease of THE PREMISES OR a Permitted Part a court order is obtained under the provisions of Section 38(4) of the Landlord and Tenant Act 1954 (as amended by Section 5 of the Law of Property Act 1969) excluding the provisions of Sections 24-28 inclusive of that Act in relation to the proposed underlease (the agreement excluding those provisions being contained in the proposed underlease) and that a certified copy of the order is supplied to the Lessor

3.18 REGISTRATION

3.18.1 Within fourteen days after any assignment of this Lease to give written notice to the Lessor of the name and address of the party to whom all future demands for rent and other moneys payable under this Lease are to be addressed and within twenty-one days after any assignment

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

charge by way of fixed charge underlease or devolution of the Premises or any part of them or any interest in them (including the surrender or forfeiture of any underlease) or change of name of the Lessee or any guarantor to give notice of such event in writing to the Solicitors for the time being of the Lessor and to provide them with a certified copy of the document effecting such event and to pay to such Solicitors a registration fee of(pound)25.00 or such larger sum as such Solicitors shall reasonably require

3.18.2 Within 21 days after the rent payable upon review of rent in any underlease of the Premises or any part of them shall have been ascertained (whether by agreement arbitration or otherwise) to notify the Lessor in writing of the rent so ascertained and deliver to the Lessor a certified copy of the award of any arbitrator or expert engaged in connection with such review and as soon as practicable thereafter a memorandum recording the revised rent signed by or on behalf of the parties to such review

3.19 NOTICES

At the Lessees expense to comply with any notice order proposal requisition direction or other thing received from a competent authority and affecting or likely to affect the Premises their use or their owner or occupier or the Lessors interest in the Premises and forthwith to deliver to the Lessor a copy of such notice order proposal requisition direction or other thing and at the reasonable request of the Lessor to make or join with the Lessor in making such objections and representations against or in respect of any such matters as the Lessor shall reasonably deem expedient

3.20 NOT TO OVERLOAD ETC.

Not to erect on or suspend from the Premises or any part of them anything which will or may overload any floor wall roof or any other part of the structure or structural frame of the Premises

3.21 COMPLIANCE WITH STATUTE

Without prejudice to the general terms of Clause 3.4 at all times during the Term to comply at the Lessee's expense with the provisions of any relevant legislation

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

for the time being in force including the Town & County Planning Act 1990 and Safety at Work etc. Act 1974 the Factories Act 1961 the Offices Shops and the Railway Premises Act 1963 The Fire Precautions Act 1971 the CDM Regulations the Public Health Acts and the Clean Air Acts and with any regulations or orders made and all licences consents and conditions granted or imposed under such legislation so far as the same relate to or affect the Premises or their use their owner or occupier or the Lessors interest in them and as often as occasion shall require to obtain at the Lessee's expense all such licences and consents as may be necessary under such legislation for any use of or permitted improvements alterations or additions to the Premises and not to do or omit on or about the Premises any act or thing by reason of which the Lessor may under any such legislation incur or become liable to pay any levy penalty damages compensation costs charges or expenses and at all times during the Term to ensure that the Lessor and the Health and Safety Executive are promptly notified of any changes to the Health and Safety File in respect of the Premises prepared under the CDM Regulations (the Lessee being (as it hereby acknowledges) "the client" for the purposes of those Regulations) so that in particular the Lessor can satisfy itself that the original of any such File maintained by it is complete and up to date and to keep the Lessor fully indemnified against all proceedings costs expenses and demands in relation to any such matters and to produce to the Lessor such licences consents and other documents and evidence as the Lessor may reasonably require in order to satisfy itself that the provisions of this Clause 3.21 have been complied with in all respects

3.22 PLANNING

3.22.1 Not to apply for nor procure the application by any third party for any planning consent (which expression shall include any outline or detailed consent or any approval of reserved matters or any appeal to the Secretary of State for the Environment) relating to the Premises (whether or not in conjunction with other premises) without the Lessor's prior written consent which shall not be unreasonably withheld or delayed in respect of any matter in relation to which the Lessor's consent is not under the other provisions of this Lease to be unreasonably withheld or delayed

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

3.22.2 As soon as practicable after the grant of planning consent to the Lessee to give to the Lessor a full copy of it and of the application for it and its supporting drawings and specifications and calculations (if any)

3.22.3 Unless the Lessor shall otherwise direct the Lessee shall carry out or cause to be carried out before the end of the Term any works stipulated to be carried out to the Premises by a date later than the end of the Term as a condition of any planning consent which may have been implemented by the Lessee during the Term

3.22.4 To produce to the Lessor such plans documents and evidence as the Lessor may reasonably require in order to satisfy itself that the provisions of this Clause 3.22 have been complied with in all respects

3.23 VALUE ADDED TAX

Where by virtue of any of the provisions of this Lease the Lessee is required to pay or repay to the Lessor or to any other person any costs fee charge or expense or other sum in respect of the supply of any goods or services by the Lessor or any other person (including for the avoidance of doubt any rent payable hereunder) then save where the Lessor is entitled to recover the same the Lessee shall also be required to pay and shall keep the Lessor and such other person indemnified against the amount of any Value Added Tax which may be chargeable in respect of such supply or which the Lessor may elect to charge in respect of it PROVIDED THAT a valid Value Added Tax invoice containing the particulars prescribed in Regulation 14 of the Value Added Tax (General) Regulations 1995 (as amended) is rendered to the Lessee in respect of the supply of any goods or services by the Lessor

3.24 INDEMNITY

To indemnify the Lessor against all liability and costs (including any increase in insurance premium) in respect of any breach of covenant on the part of the Lessee or any works carried out at any time during the Term to the Premises by the Lessee anything now or during the Term attached to or projecting from the Premises any act neglect or omission by the Lessee or any underlessee or by their respective servants or agents or by any persons in the Premises with the

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

actual or implied authority of any of them or out of infringement disturbance or destruction during the Term by the Lessee of any right or easement

3.25 INFORMATION

To provide within fourteen days of receipt of a written request from the Lessor such information as the Lessor may reasonably require as to the occupation of the Premises including details of all underlettings and licences granted by the Lessee and the full names and addresses of all persons in actual or deemed possession of the Premises and each and every part of them

3.26 NOTIFY DAMAGE

Immediately upon becoming aware of it to give written notice to the Lessor of any damage to the Premises caused by any of the Insured Risks and of any defect in the Premises which if not remedied might give rise to any third party claim or to any obligation on the Lessor to do or refrain from doing any act or thing to comply with any legal duty of care and at all times to display and maintain on the Premises all notices which the Lessor may from time to time reasonably require to be displayed but which shall not be required to be displayed in such a position as to interfere with the Lessee's business

3.27 BAILIFF'S FEES

To pay all fees properly incurred by the Lessor to any bailiff instructed by the Lessor for the collection of any rent or other sum due under this Lease

3.28 FIRE FIGHTING EQUIPMENT AND SECURITY

3.28.1 To keep the Premises supplied and equipped with all fire fighting and extinguishing appliances from time to time required by law or required by the insurers of the Premises such appliances being kept open to inspection and properly maintained and not to obstruct the access to or means of working such appliances or the means of escape from the Premises in case of fire

3.28.2 To take expeditiously all requisite steps to obtain any necessary fire certificate for the Premises

3.28.3 To ensure that at all times the Lessor has written notice of the name and address and telephone number of at least one keyholder of the Premises

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

3.28.4 At any time that the Premises or any part of them is unoccupied to take all reasonable precautions to prevent vandalism theft and unlawful occupation

3.29 INTERMEDIATE LEASE

Not to do omit suffer or permit in relation to the Premises any act or thing that would or might cause the Lessor to be in breach of the Intermediate Lease or that if done omitted suffered or permitted by the Lessor would or might constitute a breach of the covenants on the part of the tenant and the conditions contained in the Intermediate Lease and to observe the covenants referred to in the Property and Charges Register of title HP389500 (so far as aforesaid) and to indemnify the Lessor against all actions claims costs expenses and liabilities in respect of them

4. LESSOR'S COVENANTS

The Lessor covenants with the Lessee as follows:

4.1 QUIET ENJOYMENT

That the Lessee paying the rent and other monies payable under and observing and performing the Lessee's covenants and stipulations contained in this Lease shall peaceably hold and enjoy the Premises during the Term without any interruption by the Lessor or any person rightfully claiming by through under or in trust for it or by title paramount

4.2 HEADLEASE

4.2.1 To pay the rents reserved by the Intermediate Lease and to perform and observe the tenants covenants and conditions contained therein insofar as the Lessee is not liable for such performance under the covenants on its part contained in this Lease and to indemnify the Lessee against all actions costs claims expenses and liabilities in respect of any breach of this covenant

4.2.2 On the request and at the reasonable cost of the Lessee to use all reasonable endeavours to enforce the covenants on the part of the Intermediate Landlord contained in the Intermediate Lease

4.2.3 To use all reasonable endeavours at the cost of the Lessee to obtain the consent of the Intermediate Landlord whenever the Lessee makes application for any consent required under this Sublease and such consent is also required pursuant to the provisions of the Intermediate Lease

4.2.4 To provide on request details of the insurance maintained by the Superior Landlord (or the Lessor as the case may be) in respect of the Premises and to use reasonable endeavours to procure that the interest of the Lessee is noted on the policy of insurance whether by specific or general indorsement

4.3 Unless otherwise directed in writing by the Lessee or its successors in title or unless the Lessee or its successors in title no longer has any legal interest in the Premises at the time of service of the notice herein referred to the Lessor hereby covenants that it will not serve notice to terminate the Intermediate Lease pursuant to Clause 7(2) of the Intermediate Lease and that it will procure that upon any assignment of the interest of the Lessor as tenant under the Intermediate Lease the assignee will enter into a covenant in identical terms to this covenant directly with the Lessee or its successors in title

5. PROVISOS

PROVIDED ALWAYS and it is agreed between the parties as follows:

5.1 INTEREST

That if the rent or any part of it shall at any time be unpaid within 7 days of the due date or any other monies due by the Lessee to the Lessor shall at any time be unpaid within fourteen days of the due date (whether in respect of rent any formal demand shall have been made or not) then the Lessee shall on demand pay to the Lessor in addition Interest on such sum for the period from the date when such sum became due to the date of payment to the Lessor

5.2 FORFEITURE

That

5.2.1 if the rent or any part of it or any Interest payable or any other monies due by the Lessee to the Lessor shall at any time be unpaid for twenty one days (whether in respect of rent any formal demand shall have been made or not) or

5.2.2 if the Lessee shall fail to perform or observe any of its covenants or stipulations in this Lease or

5.2.3 if the Lessee for the time being shall be wound up or an administration order made against it/him or is adjudged bankrupt or enters into liquidation (except voluntarily for the purpose of amalgamation or reconstruction) or suffer a Receiver or an Administrative Receiver or a Receiver and Manager to be appointed or become subject to an administration order under the Insolvency Act 1986 or enter into an agreement or composition for the benefit of its creditors or have a receiving order made against him

then it shall be lawful for the Lessor or any persons duly authorised by it to forfeit this Lease by entering the Premises or any part of them and the Term shall thereupon absolutely cease and be of no further effect but without affecting any liability in respect of any breach of any of the Lessee's or guarantor's covenants which shall already have accrued

5.3 EXCLUSION OF WARRANTY

Nothing in this Lease or in any consent granted by the Lessor under this Lease shall imply or warrant that the Premises may be used for the purpose permitted by this Lease so far as concerns any statutes relating to town and country planning or that any alterations or additions or other works to the Premises which the Lessor may permit under the provisions of this Lease will not require planning permission and it is agreed that in entering into this Lease the Lessee does not rely on any such warranty given by the Lessor or by any person on its behalf

5.4 LESSEE'S EFFECTS

The Lessee hereby irrevocably appoints the Lessor to be its agent to store or dispose of any effects left by the Lessee on the Premises after the end of the

Term on such terms as the Lessor thinks fit and without the Lessor being liable to the Lessee save to account for the net proceeds of sale less the cost of storage (if any) and any other expenses reasonably incurred by the Lessor PROVIDED THAT the Lessee will indemnify the Lessor against any liability incurred by it to any third party whose property shall have been sold by the Lessor in the mistaken belief (which shall be presumed unless the contrary be proved) that such property belonged to the Lessee and was liable to be dealt with as such pursuant to the provisions of this clause 5.4

5.5 ACCEPTANCE OF RENT

5.5.1 The demand for and/or acceptance of any of the rents reserved by or any other monies due under this Lease by the Lessor or its agents shall not constitute or be deemed a waiver of any of the Lessees or any guarantors or subtenants covenants nor of any breach of such covenants or of any of the conditions contained in this Lease or in any Underlease or of any of the Lessor's remedies in respect of such breach and neither the Lessee nor any guarantor nor any subtenant shall in any proceedings for forfeiture plead or otherwise propose any such demand or acceptance as a waiver by the Lessor or as a defence for the Lessee guarantor or such sub-tenant (as the case may be)

5.5.2 If the Lessor shall (by virtue of its reasonable belief that the Lessee or any guarantor or any subtenant is in breach of covenant or condition or might acquire against the Lessor any right or entitlement not expressly hereby granted) refrain from demanding or accepting rent or any other moneys due under this Lease then Interest shall be payable by the Lessee upon such rent or moneys for the period during which the Lessor shall so properly refrain

5.6 NOTICES

Any notice required to be served on any party shall be sufficiently served if it is sent by recorded delivery or registered post in a stamped envelope addressed to the Lessee Lessor or any guarantor at its registered office or address for service in the United Kingdom but if there shall be no such address at its last known place of abode or business and if sent by recorded delivery or registered post

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

such service shall be deemed to be made on the working day following the date of posting

5.7 RENT SUSPENSION

In the event of the Premises or any part of them at any time during the Term being damaged or destroyed by any of the Insured Risks (as that expression is defined in the Headlease) in respect of which the Lessor or the Intermediate Landlord or the Superior Landlord (as appropriate) is indemnified under insurance of the Premises so as to render the Premises incapable of occupation and use then (save to the extent that the insurance moneys become irrecoverable through any act or default of the Lessee or any person under its control) the rent reserved by this Lease or a fair proportion of it according to the nature and extent that the Premises shall be incapable of occupation and use shall be suspended until either the Premises shall again be capable of use and occupation or for a period ("the Rent Insurance Period") equal to the number of years for which insurance against loss of rent has been effected under the Superior Landlord's covenant in the Headlease (whichever is the shorter period)

5.8 LESSOR'S LIABILITY

In any case where the facts are or should reasonably be known to the Lessee the Lessor shall not in any event be liable to the Lessee in respect of any failure of the Lessor to perform any of its obligations to the Lessee hereunder whether express or implied unless and until the Lessor has or ought reasonably to have become aware of the facts giving rise to the failure and the Lessor has failed within a reasonable time to remedy the same

5.9 HEADLEASE RENT REVIEWS

The Lessee shall subject to the prior approval of the Lessor and of the Intermediate Landlord (such approval not to be unreasonably withheld or delayed) at its own expense act as the agents for the Lessor and the Intermediate Landlord in conducting the review of rent under the Headlease at 24 June 2004 and 24 June 2009 and in doing so the Lessee shall keep the Lessor and the Intermediate Landlord informed at all times of the progress of and all material aspects of all negotiations between the Lessee and the Superior Landlord and/or their respective surveyors or agents and shall give full and

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

proper consideration to all proposals observations and arguments in respect of such reviews as the Lessor or the Intermediate Landlord may make or raise and shall put (or procure to be put) such proposals observations and arguments to the Superior Landlord and/or its surveyors or agents or to any independent expert appointed to determine the review of rent under the Headlease PROVIDED that the Lessee shall not settle such reviews of rent or agree any rent payable following such reviews without the prior express written approval of the Lessor and of the Intermediate Landlord (such approval not to be unreasonably withheld or delayed)

5.10 Exclusion of Landlord and Tenant Act 1954

Having been authorised so to do by an Order of the [ ] County Court dated the [ ] day of [ ] 2002 under the provisions of section 38(4) of the Landlord and Tenant Act 1954 the Lessor and the Lessee hereby agree that the provisions of sections 24-28 of the said Act shall be excluded in relation to the tenancy hereby created

6. RENT INCREASE AND REVIEW

6.1 During each Review Period the Lessee shall pay to the Lessor in each year rent being whichever is the greater of a sum equal to the rent payable immediately prior to the relevant Review Date or such reviewed rent as may be agreed or determined as provided below (whichever is the greater)

6.2 The Rent shall be reviewed in accordance with the provisions of paragraphs 3 to 5 of Part 1 of the Fourth Schedule of the Headlease which provisions shall be incorporated in this Lease as if the same were set out herein in extenso so that references in those provisions to "the Landlord" and "the Tenant" after such incorporation are references to the Lessor and the Lessee in this Lease but with the following modifications:

6.2.1 "the Review Date" and "the Review Period" are defined as set out in clause 1.1 6.2.2 In the definition of the "Market Rent":

6.2.2.1 "12 years" shall be substituted for "25" years in line 8

6.2.2.2 references to "this Lease" mean this Sublease

6.2.2.3 in disregard (d) the words "or the Superior Landlord or the Intermediate Landlord" shall be added after "the Landlord"

6.3 The expression "the Rent" shall be substituted for the expression "the Rent under this part of this Schedule"

7. OPTIONS TO TERMINATE LEASE

7.1 If by damage or destruction by an Insured Risk (as that expression is defined in the Headlease) the Premises or a substantial part of them shall at any time be rendered unfit for occupation or use for the Specified Use or inaccessible and the Premises shall not have been reinstated and rendered capable of occupation for the Specified Use by three months before the end of the Rent Insurance Period then either party may thereupon determine the Term and this Lease by not less than three calendar months notice in writing to that effect served upon the other and upon the expiration of such notice this Lease and the Term shall cease and be of not further effect (but without affecting the liability of the Lessor or the Lessee for any breach of covenant which shall already have accrued) PROVIDED that no such notice shall be valid if served more than five weeks after the expiration of the Rent Insurance Period or if at that date of service or expiration of such notice the Premises shall in fact have been so reinstated and rendered capable of occupation and use for the Specified Use and PROVIDED that any insurance monies payable under the policy of insurance for the Premises shall be paid to and belong to the Lessor or the Superior Landlord (as the case may be) for its own use

7.2 If the Lessee shall desire to terminate this Lease at any time during the period of 12 months after the Term Commencement Date (but on no other date) and shall have served on the Lessor not less than 3 calendar months prior written notice of such desire this Lease shall upon expiry of the notice served by the Lessee cease and absolutely determine (but without prejudice to any rights or claims in respect of any subsisting breach of covenant) and the Lessee shall deliver up to the Lessor full vacant possession of the Premises and materially in accordance with the covenants on the part of the Lessee hereinbefore contained

8. GUARANTOR'S COVENANTS

The Guarantor in consideration of the grant of this Lease to the Lessee at the request of the Guarantor covenants with the Lessor in the manner set out in the Second Schedule

IN WITNESS whereof the parties have executed this Lease as their Deed the day and year first before written

THE FIRST SCHEDULE
PART I
RIGHTS GRANTED

The rights granted by the Second Schedule to the Headlease

PART II
RIGHTS RESERVED

The exceptions and reservations contained in the Third Schedule to the Headlease

THE SECOND SCHEDULE
GUARANTEE

The Guarantor guarantees to and covenants with and for the benefit of the Lessor (which expression shall for the purpose of this guarantee and covenant include the Lessor's successors in title to the reversion without the need for express assignment)

1. that the Lessee (here meaning [ ]) will at all times (a) until a permitted assignment of this Lease by the Lessee pay the rent and all other sums agreed to be paid by the Lessee when due and will also duly perform and observe its covenants and the stipulations in this Lease and (b) after a permitted assignment of this Lease duly perform and observe its covenants and the stipulations contained in any Deed which the Lessee shall enter into under

the terms of Clause 3.17.3 of this Lease ("an Authorised Guarantee Agreement") and that the Guarantor will if the Lessee shall make any default in payment of such rent or any other sums or in the performance and observance of such covenants and stipulations pay the rent and monies and observe or perform the covenants or stipulations in respect of which the Lessee shall be in default and will make good to and indemnify the Lessor in respect of all losses damages liability costs and expenses sustained by the Lessor through the default of the Lessee PROVIDED ALWAYS that the liability of the Guarantor shall be no greater than the liability of the Lessee to the Lessor in respect of the act or default giving rise to the liability and any neglect or forbearance of the Lessor in endeavouring to obtain payment of the rent or other monies when the same become due or any refusal by the Lessor to accept rent tendered by or on behalf of the Lessee at a time when the Lessor may be entitled (or would after service of a notice under Section 146 of the Law of Property Act 1925 be entitled) to re-enter the Premises or any delay by the Lessor in taking any steps to enforce performance or observance of the said covenants or stipulations and any time or indulgence which may be given by the Lessor to the Lessee or the fact that the reversion to this Lease may have been assigned or that the Lessee may have ceased to exist or be under any legal limitation or any immunity disability or incapacity or any other act or thing (save for the provisions of the 1995 Act) whereby but for this provision the Guarantor would have been released shall not release or in any way lessen or affect the liability of the Guarantor under this guarantee

2. that if the Lessee shall enter into liquidation or become bankrupt and the liquidator or trustee shall disclaim or surrender this Lease or if this Lease shall be forfeited or if the Lessee shall cease to exist then the Guarantor will be required by the Lessor in writing within three months after such disclaimer or other event accept from the Lessor a lease of the Premises for a term equal to the residue of the Term unexpired at the date of such disclaimer or other event and containing the same rent covenants provisos and other terms as this Lease shall execute and deliver to the Lessor a counterpart and shall pay the reasonable and proper costs of such new lease

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

3. that if for any reason the Lessor does not require the Guarantor of any of them to accept a new lease of the Premises as mentioned above then the Guarantors shall pay to the Lessor on demand an amount equal to the rent reserved by and other sums payable under this Lease at the date of such disclaimer or other event for the period commencing with such date and ending of whichever is the earliest of the following dates:

    3.1 the expiration of six calendar months after such date
    3.2 the expiration of the Term
    3.3 the date (if any) upon which the Premises shall be re-let

SCHEDULE 4

WARRANTIES

PART 1

1 CAPACITY OF THALES AND THE COMPANIES

1.1 Thales and each of the Companies are duly organised and validly existing under all applicable laws.

1.2 Thales and the Companies have the requisite power and authority to enter into and perform this Agreement and the other documents which are to be executed by each of them pursuant to this Agreement (the "Thales Completion Documents").

1.3 The Thales Completion Documents will, when executed by Thales and each of the Companies constitute binding obligations of Thales and each of the Companies in accordance with their respective terms.

1.4 The execution and delivery of, and the performance by Thales and each of the Companies of their respective obligations under the Thales Completion Documents will not:

1.4.1 result in a breach of, or constitute a default under, any instrument to which Thales or any of the Companies is a party or by which Thales or any of the Companies is bound; or

1.4.2 result in a breach of any order, judgment or decree of any court or governmental agency to which Thales or any of the Companies is a party or by which Thales or any of the Companies is bound; or

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

1.4.3 require the consent of the shareholders of Thales or any of the Companies or of any other person; or

1.4.4 require Thales or any of the Companies to obtain any consent or approval of, or give any notice to or make any registration with, any governmental or other authority which has not been obtained or made at the date hereof both on an unconditional basis and on a basis which cannot be revoked (save pursuant to any legal or regulatory entitlement to revoke the same other than by reason of any misrepresentation or misstatement).

OVERSEAS OPERATIONS

1.5 The description of the overseas operations of the Business set out in the Disclosure Letter is a true and accurate description of the overseas operations of the Business.

2 FINANCIAL

2.1 The Accounts of TCSL have been prepared in accordance with the requirements of all relevant statutes and with generally accepted accountancy principles and practice applicable or prevailing in the United Kingdom and show a true and fair view of the assets and liabilities of TCSL and of its profits or loss for financial period ending on the Accounting Date.

2.2 The Accounts of TCSA have been prepared in accordance with the requirements of all relevant statutes and with generally accepted accountancy principles and

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

practice applicable or prevailing in France and show a true and fair view of the assets and liabilities of TCSA and of its profits or loss for the financial period ending on the Accounting Date.

2.3 The Accounts of TCS GmbH have been prepared in accordance with the requirements of all relevant statutes and with generally accepted accountancy principles and practice applicable or prevailing in Germany and show a true and fair view of the assets and liabilities of TCS GmbH and of its profits or loss for the financial period ending on the Accounting Date.

2.4 The Accounts of TCS Inc. have been prepared in accordance with the requirements of all relevant statutes and with generally accepted accountancy principles and practice applicable or prevailing in the United States of America and show a true and fair view of the assets and liabilities of TCS Inc. and of its profits or loss for the financial period ending on the Accounting Date.

2.5 Without limiting the generality of warranties 2.1 to 2.4 (inclusive) the results shown by the Accounts of TCSL and the audited accounts of TCSL for the period ending 31 December 2000 did not (except as therein disclosed) record any "extraordinary" or "exceptional" item (as such terms are currently interpreted by Financial Reporting Standards applicable to any of the Companies).

2.6 Thales confirms that it has reviewed all entries regarding TCS Companies combination that have been prepared according to the accounting principles of this Agreement. As result of this review Thales confirms that it is not aware of adjustments, whether in terms of additional provisions for inventory, additional provisions for liabilities or other adjustments that are, or reasonably could be, of relevance in the context of Nice obligation to provide an audit certificate on the Completion Accounts of TCS at the Completion Date.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

2.7 Thales confirms that the Accounts Combination Statement has been prepared in accordance with the Accounting Principles and further confirms that it has reviewed all the consolidation entries that have been prepared in order to produce the consolidated accounts of Thales (both in terms of the holding company consolidation and any relevant consolidations at intermediate holding company level) at 31 December 2001 and 30 June 2002 and there are no consolidation adjustments, whether in terms of additional provisions for inventory, additional provisions for liabilities or other adjustments that are, or could reasonably be held to be, of relevance in the context of the calculation of the NAV Target.

MANAGEMENT ACCOUNTS

2.8 Attached to the Disclosure Letter are the Management Accounts together with the unaudited financial report of TCSA to 30 June 2002.

2.9 The Management Accounts reasonably and fairly represent the profits or losses of each of the TCS Group (excluding TCSA) for the five month period to 31 May 2002 and the unaudited financial report of TCSA to 30 June 2002 reasonably and fairly represents the profits or losses of TCSA for the six month period to 30 June 2002.

OPERATION OF THE BUSINESS

2.10 Since the Accounting Date:

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

2.10.1 each of the Companies have carried on the Business in the ordinary and usual course with a view to maintaining the same as a going concern and without entering into any transaction, or assuming any liability which is not in the ordinary and usual course of the Business; except as contemplated by or permitted by the terms of this Agreement;

2.10.2 there has been no material interruption or alteration in the nature, scope or manner of the business of any of the Companies;

2.10.3 no substantial customer of or supplier to any of the Companies (being a customer or supplier accounting for more than 5% (five per cent) of the turnover of the Business for the accounting period ending on the Accounting Date) has:

(a) indicated that it is likely to cease trading with or supply to any of the Companies;

(b) indicated that it is likely to reduce substantially its trading with any of or supplies to the Companies; or

(c) indicated that it is likely to change substantially the terms upon which it is prepared to trade with or supply to any of the Companies (other than normal price and minor changes);

2.10.4 there has been no material increase in the average collection periods for the debtors and no material decrease in the payment periods for the creditors and each of the Companies have continued to pay all creditors

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

and received payments from all debtors in the ordinary course of their business consistent with the normal practice of the Business;

2.10.5 none of the Companies have acquired, sold, transferred or otherwise disposed of any material assets or cancelled, waived, released or discounted in whole or in part any material rights, debts or claims of any of the Companies, except in each case in the ordinary course of the business of any of the Companies and in a manner consistent with prior practice; except as contemplated by or permitted by the terms of this Agreement;

2.10.6 the Companies have not entered into any commitment involving capital expenditure on capital account which is still outstanding;

2.10.7 other than changes in the amount of Cumulative Orders of the Business in the period 1 January 2002 to 30 June 2002 as provided for in clause 7.7 of this Agreement, there has been no material adverse change in the financial or trading position or (save to the extent that the same would be likely to affect to a similar extent generally all companies carrying on similar businesses in the United Kingdom, France, Germany or the United States) in the prospects of the Business taken as a whole and no event, fact or matter has occurred which is likely to give rise to any such change;

2.10.8 no material debtor of the Business has been released by Thales or any of the Companies on terms that it pays less than the book value of its debt and no material debt owing to Thales or any of the Companies in connection with the Business taken as a whole has been deferred, subordinated or written off or;

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

2.10.9 no material change has been made in the terms of employment of the Employees (other than those required by law);

2.10.10 no debts or other receivables and no stock, goods, plant, machinery or equipment of any of the Companies (in relation to the Business) have been factored or sold, or agreed to be sold, apart from the sales of finished products in the routine course of trading;

2.10.11 neither Thales or any of the Companies (in relation to the Business) have offered material price reductions, discounts or allowances on sales of trading stock or services;

2.10.12 no agreements have been entered into or give effect or arrangements put in place to transfer any customers or suppliers of the Business to the business of any of Thales or any of the Companies;

2.11 The Disclosure Letter incorporates a list of all outstanding guarantees, performance bonds, letters of credit or similar instruments given by Thales or any of the Companies or any other person in respect of the Business.

GRANTS AND ALLOWANCES

2.12.1 The Disclosure Letter contains full particulars of all central and local government grants, subsidies and allowances which have been applied for or received by Thales or any of the Companies relating to the Business during the last four (4) years. No such grant, subsidy or allowance will become repayable by the Purchasers as a result of the sale of the Business.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

2.12.2 Neither Thales or any of the Companies has done or failed to do any act or thing which could result in all or any part of an investment grant or similar payment or allowance made or due to be made to it becoming repayable or forfeited by it.

COMPLIANCE WITH APPLICABLE LAWS

2.13 The Companies have conducted the Business in all material respects in accordance with all applicable laws and regulations of the United Kingdom or any other jurisdiction in respect of whose laws the Business is subject.

2.14 The Companies are not in default in any order, decree or judgment of any court or any governmental or regulatory authority (whether in the United Kingdom or any other jurisdiction) which applies to the Business.

US EMBARGO ENTITIES

2.15 Neither Thales or any of the Companies is, in relation to the Business, party to any subsisting agreement, obligation or arrangement relating to the conduct of Business with any person, entity, governmental body or organisation of or in a US Embargo Country.

3 EMPLOYEES

3.1 The Employees are all the employees employed in the Business as at the date of this Agreement.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

3.2 In relation to each Employee there are contained in the Disclosure Letter full particulars of:

3.2.1 any written service or employment agreement or (as appropriate) any standard form of particulars of employment applicable and issued to Employees;

3.2.2 each Employee's name, sex, job title, place of work and date of commencement of employment (including any employment with a previous employer which counts as continuous employment for the purposes of any relevant employment legislation in the jurisdiction in which the relevant employer is incorporated);

3.2.3 each Employee's rate of remuneration, bonus and commission, any other benefit of any kind to which they are entitled or which is regularly provided or made available to Employees and the period of notice, entitlement to holidays and holiday bonuses applicable to Employees;

3.2.4 particulars of any collective agreement affecting Employee's terms of employment, including disciplinary or grievance procedures and any procedures to be followed in the case of redundancy or dismissal; and

3.2.5 details of any other terms and conditions of employment.

3.3 There are no subsisting contracts for the provision by any person of any consultancy services to the Companies in connection with the Business.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

3.4 Save as disclosed in the Disclosure Letter the Companies have no profit-sharing, share option or share incentive schemes or other employee benefit plans (excluding retirement benefit plans) in relation to any Employee.

3.5 Save as disclosed in the Disclosure Letter the Companies have no collective bargaining agreements or arrangements with trade unions, or employee bodies (whether or not elected), relating to the Employees.

3.6 Thales and/or the Companies are not in connection with the Business involved in any industrial or trade dispute or any other dispute or negotiation of a material nature with any trade union, body of employees or material number of employees.

3.7 Save to the extent (if any) to which provision or allowance has been made in the Accounts:

3.7.1 no liability has been incurred by any of the Companies for redundancy payments or for compensation for wrongful or unfair dismissal or in relation to the dismissal of any employee of the Companies or for failure to comply with any order for the reinstatement or re-engagement of any employees or for breach of contract or for breach of any other legislative provision; and

3.7.2 no gratuitous payment has been made or promised by any of the Companies in connection with the actual or proposed termination or suspension of employment or variation of any contract of employment of any present or former director or employee.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

3.8 No employee of any of the Companies is suffering from any medical condition, long term sickness or disability which has necessitated or, so far as Thales is aware, is expected to necessitate absence from work for a period of eight weeks or longer.

3.9 None of the Employees are on maternity leave on the date of this Agreement.

3.10 There is no outstanding or threatened claim or dispute by or with any unions or any other body representing all or any of the Employees of any of the Companies in relation to their employment by any of the Companies nor so far as Thales is aware are there any circumstances likely to give rise to any such claim or dispute.

3.11 No change, and no negotiation or request for a change in the emoluments or other terms of engagement of any of the Employees is due or would ordinarily take place consistent with past practice of the Business within six months from the date of this Agreement.

3.12 (a) No Employee of any of the Companies has given or so far as Thales is aware is expected to give notice terminating his contract of employment nor is under notice of dismissal. (b) So far as Thales is aware no Employee has threatened (or is expected to threaten) any litigation, arbitration or mediation, administration or criminal proceeding in connection with or arising from his employment.

3.13 Thales and the Companies have maintained up-to-date and adequate records regarding the employment of the Employees (including, without limitation, details of terms of employment, payment of sick pay and maternity pay, income tax and social security contributions, disciplinary and health and safety matters and adequate records for the purposes of the time keeping under relevant legislation).

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

3.14 Thales and the Companies have not borrowed any money from any of the Employees and have not made any loans to any of the Employees which have not been repaid in full.

3.15 There are no schemes or agreements in operation under which any of the Employees is entitled to a bonus, commission or profit related remuneration of any kind payable or calculated by reference in whole or in part to the turnover, profits, sales or other financial performance of the Business, Thales or the Companies or any company connected with Thales or the Companies.

3.16 All contracts of service or consultancy or for services with directors or employees or other persons providing personal services to the Business whether directly or indirectly can be terminated by three months' notice or less without giving rise to any claim for damages or compensation (other than a statutory redundancy payment or statutory compensation for dismissal, if applicable).

3.17 There is no express term of employment for any Employee which provides that a sale of the Business shall entitle the Employee to treat such sale as amounting to a breach of the contract or entitling him to any payment or benefit whatsoever or entitling him to treat himself as redundant or otherwise dismissed or released from any obligation.

3.18 Thales and the Companies have no obligation to make any payment on redundancy in excess of a statutory redundancy payment and Thales and the Companies have not operated any discretionary practice of making any such excess payments. Thales and the Companies do not have a written redundancy policy.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

3.19 There is no agreement between Thales and the Companies and an Employee with respect to his/her employment, his ceasing to be employed or his retirement that is not included in his/her written terms of employment or previous employment other than retirement benefits disclosed at Schedule 6 and/or the Disclosure Letter.

4 PENSIONS

In this warranty schedule:

"PERSONAL PENSION SCHEME" means the personal pension scheme approved for the purposes of Chapter IV of Part XIV of ICTA 1988 to which the Thales Group makes employer contributions in respect of Mr McKay.

"APPROVED" means approved by the Inland Revenue for the purposes of Chapter 1 of Part XIV of ICTA 1988.

4.1 Save for the Personal Pension Scheme and Thales' Schemes as at the date of this Agreement there are not (and never have been any) agreements, arrangements, customs or practices (whether legally enforceable or not) in operation for the provision of or payment of contributions towards any pensions, allowances, lump sums or other like benefits on before or after retirement or death or termination of employment (whether voluntary or not), or disablement for the benefit of any Employee or an Employee's dependants, nor has any proposal been announced or promise made to establish any such agreement, arrangement or practice and no individual has any contractual entitlement for the provision of retirement benefits other than in accordance with the relevant governing provisions of the Personal Pension Scheme and Thales' Schemes as disclosed to the Purchasers. The Companies have duly complied with all applicable legal and administrative requirements relating to stakeholder pension schemes (as defined in Section 1(1) of the Welfare Reform and Pensions Act

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

1999) and has disclosed all material details of the pension schemes designed by the Companies in relation to the Employees.

4.2 All particulars of each of the Thales' Schemes required to permit the Purchasers to form a true and fair view of each of the Thales' Schemes, their legal status and the benefits provided or to be provided (including contingently) under them for Employees or an Employee's dependants have been provided in the Disclosure Letter including for the avoidance of doubt:

4.2.1 a copy of each agreement, deed and all rules governing or relating to the Thales' Schemes;

4.2.2 a copy of each explanatory document of current effect including the members' booklet and any announcements issued to an Employee who is or may become a member of any of the Thales' Schemes;

4.2.3 details of the employer and employee contribution rates in respect of each of the Thales' Schemes.

4.3 There is attached to the Disclosure Letter a schedule of Employees who are members of the Thales' Schemes as at the date of this Agreement.

4.4 No discretion or power has been exercised under any of the Thales' Schemes to augment benefits or provide a benefit which would not otherwise be provided.

4.5 The life insurance benefit payable under any of the Thales' Schemes other than in respect of TCSI and the US Employees on the death of a member of any of the

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

Thales' Schemes is at the date of this Agreement fully insured under a policy effected with an insurance company and all insurance premiums payable have in respect of that insurance policy been paid.

4.6 No plan, proposal or intention to amend, discontinue (in whole or in part) or exercise a discretion in relation to any of the Thales' Schemes has been communicated to any member of the Thales' Schemes.

4.7 No amount due in respect of the Personal Pension Scheme or to any of the Thales' Schemes in respect of an Employee is unpaid.

4.8 Each of the Thales' Schemes are Approved and each have been designed to comply with, and have been administered in accordance with, all applicable legal and administrative requirements.

4.9 No assurance, promise or guarantee (oral or written) has been made or given to the beneficiary of the Personal Pension Scheme of a particular level or amount of benefits to be provided for or in respect of him or her under the Personal Pension Scheme on retirement, death or leaving employment.

4.10 The Disclosure Letter contains details of the rate at which Thales Group has agreed to make employer contributions into the Personal Pension Scheme.

NON-UK PENSION WARRANTIES

"OVERSEAS EMPLOYEES" has the same meaning as Non-UK Employees.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

"OVERSEAS PENSION SCHEMES" means each of: The Thales North American Pension Plan, the Thales America 401(k) Plan; the Racal SIP II Plan and any other pension scheme or similar arrangement (other than a state scheme) to which any of the Overseas Employees make (or have agreed to make contributions or other payments).

"STATE SCHEMES" means each state pension scheme to which any of the employers of any of the Overseas Employees are required by law to make contributions or payments.

4.11 Save for the Overseas Pension Schemes and the State Schemes, there are not (and never have been) any agreements, arrangements, customs or practices (whether legally enforceable or not) in operation for the provision of or payment of contributions towards any pensions, allowances, lump sums or other like benefits on before or after retirement or death or termination of employment (whether voluntary or not) or disability for the benefit of any Overseas Employee or the dependants of such a person, nor has any proposal been announced or promise made to establish any such agreement, arrangement or practice and no individual has any contractual entitlement for the provision of retirement benefits other than in accordance with the relevant governing provisions of the Overseas Pension Schemes as disclosed to the Purchaser.

4.12 Thales has supplied the Purchaser with copies of all agreements, deeds, declarations, insurance contracts and other relevant documents governing the Overseas Pension Schemes and an accurate outline description of the amount and nature of benefits and the circumstances in which such benefits are payable under each of the Overseas Pension Schemes.

4.13 Each of the Overseas Pension Schemes has been designed to comply with and has been administered in accordance with all applicable legal and regulatory requirements.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

4.14 All amounts which have fallen due for payment by any of the employers of any of the Overseas Employees in respect of any of the Overseas Pension Schemes or any of the State Schemes have been paid.

4.15 The Purchaser will not have any liability under any of the Overseas Pension Schemes upon Completion.

4.16 No assurances or undertakings (whether legally binding or not) have been given to any of the Employees as to the continuance or introduction or increase or improvement of any retirement, death, sickness or disability scheme.

4.17 No assurance, promise or guarantee (oral or written) has been made or given to any individual of a particular level or amount of benefits to be provided for or in respect of him or her under the Overseas Pension Schemes on retirement, death or leaving employment.

5 PROPERTY

5.1 The Business Properties shown in Schedule 3 represent all the freehold and leasehold land and premises owned, leased, used or occupied by the relevant Company or in which it has an interest.

5.2 The particulars of the Business Properties shown in Part 1 of Schedule 3 are true, correct and complete in all respects and the relevant Company or the relevant Thales Affiliate is the beneficial owner and has good and marketable title to the interest set out therein in relation to the Business Properties, free from Encumbrances. The Business Properties have the benefit of all necessary rights

Source: NICE SYSTEMS LTD, 20−F, June 26, 2003

and easements required for the continued use thereof for the purposes of the relevant Company, which rights are not subject to any restriction limitation or the right of any third party to determine the same.

5.3 No notice of any breach of the covenants, stipulations and conditions contained in the Leases of the Business Properties has been received by the Thales Properties Limited or the relevant Company and all outgoings payable in respect of the Business Properties and invoiced to Thales Properties Limited or the relevant Company have been duly paid.

5.4 No notice has been received by Thales, Thales Properties Limited, any Thales Affiliate or any of the Companies of any breach of covenant for repair and redecoration contained in the Leases of the Business Properties and there are no circumstances which will or might entitle any landlord or other person to exercise any powers of entry or to take possession thereof or which would otherwise restrict or terminate the continued possession and quiet enjoyment thereof for the purposes of the business of the relevant Company as presently carried on.

5.5 There are no covenants, restrictions, stipulations, easements or quasi easements or privileges affecting the Business Properties or any part thereof which are of an unduly onerous nature or which conflict with the present user thereof or which would affect the use or continued use thereof for the purposes of the business of any of the Companies nor are there any rights, easements or privileges in the continued existence of which is doubtful or uncertain as the withdrawal or cessation of which would affect the use or continued use of the Business Properties for the purposes of the Business.

5.6 So far as is necessary for the continued use thereof for the purposes of the business of any of the Companies to the extent or in the manner in which it is now used the Business Properties and the use thereof for the purposes of the

Source: NICE SYSTEMS LTD, 20−F, June 26, 2003

business carried on by any of the Companies comply in all material respects with all applicable laws, ordinances, rules, regulations and requirements including without limitation those relating to planning and fire precautions and all building laws and by-laws affecting the same and all applicable statutory and by-laws as to fire precautions, public health, the environment or otherwise.

5.7 No notice, action or proceedings affecting the Business Properties has been served or commenced by any person and there are no facts known to Thales, Thales Properties Limited and the relevant Trade Affiliates which are likely to result in any such notice, action or process being served or commenced.

5.8 The Business Properties are not affected by any of the following matters:

5.8.1 any closing order, demolition order or clearance order; or

5.8.2 any enforcement notice which has not been complied with; or

5.8.3 any order or proposal for the compulsory acquisition or requisition of the whole or part thereof or the modification of any planning permission or discontinuance of any use of the removal of any building on the Business Properties; or

5.8.4 any agreement with any planning authority statutory undertaking or other public body or authority regarding the use or development thereof.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

5.9 There are no outstanding disputes between any of the Companies, Thales Properties Limited or any Thales Affiliate and any person or entity relating to the Business Properties or their use.

5.10 The Companies have in their possession or under their control all deeds and documents relating to the Business Properties relevant to the interest of the Companies in the Business Properties.

5.11 The Business Properties are in a reasonable state of repair and condition having regard to the age of the Business Properties.

5.12 The replies given to enquiries raised by the Purchaser's Solicitors in respect of the Business Properties are true and correct in all material respects.

6 ASSETS

6.1 Each of the Assets other than any Intellectual Property Rights (subject, in the case of the Inventory, to retention of title where applicable) are:

6.1.1 legally and beneficially owned by Thales and each of the Companies free from Encumbrances;

6.1.2 not the subject of any hire purchase, leasing, lease purchase or credit-sale agreements, agreements for conditional sale or sale by instalments;

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

6.1.3 not subject to any agreement or commitment entered into by Thales and each of the Companies to give or create any of the interests described in 6.1.2 above and; and

6.1.4 in the possession of or under the control of Thales or one of the Companies.

6.2 All of the fixed and movable plant, machinery, vehicles, office, warehouse and factory equipment, furniture and furnishings used in the Business are in reasonable repair having regard to their age and are capable of being used either for the purpose for which they were acquired or for the purpose for which they are now used by any of the Companies.

6.3 All of the raw materials, work in progress, parts and components and finished goods of Thales or one of the Companies are of a quality usable in the ordinary course of business except for obsolete and slow moving items that are provided for in the Accounts.

6.4 The fixed asset registers of the Companies provide a complete and accurate record of all plant, machinery, equipment and vehicles owned by Thales and the Companies and used in respect of the Business.

7 CONTRACTS

7.1 The Disclosure Letter contains:

7.1.1 copies of:

(a) Contracts within category (c) of the "Contracts" definition;

(b) all contracts, engagements or orders entered into by any of the Companies with customers for the sale of goods or the supply

of services in connection with the Business which remain to be performed in whole or in part having value in excess of (pound)500,000 (or (US$500,000 in respect of any such contract in US dollars); anD

(c) all other material Contracts;

that remain to be performed (in whole or in part) by the Company; and

7.1.2 a list of all other Contracts within the categories (a), (b) and (f) of the "Contracts" definition that remain to be performed (in whole or in part) by the Company.

7.2 The contracts currently subsisting relating to the Business to which Thales or any of the Companies is a party do not include:

7.2.1 any contract for the purchase or use by Thales or any of the Companies of materials, supplies or equipment which is in excess of the requirements of Thales or any of the Companies for the normal operating purposes of the Business;

7.2.2 any unusual or unusually onerous contract;

7.2.3 any contract that cannot be terminated without penalty or compensation on 12 months' notice or less;

7.2.4 any contract restricting the freedom of action of any of Thales or any of the Companies in relation to the normal Business activities or in relation to the territory in which the Business is conducted;

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

7.2.5 any contract not made in the ordinary course of the Business;

7.2.6 any contract which by virtue of the acquisition of the Business by the Purchasers will result in:

(a) any other party being by virtue of the terms of such contract relieved of any obligation or entitled to exercise any right (including any right of termination, any consent to assignment or any right of pre-emption or other option); or

(b) Thales or any of the Companies being in default under any such agreement or arrangement or in a liability or obligation of Thales or any of the Companies being created or increased;

7.2.7 any contract which was entered into otherwise than by way of bargain at arm's length;

7.2.8 any contract which establishes any joint venture, consortium, partnership or profit (or loss) sharing agreement or arrangement;

7.2.9 any contract which contains any liability (present or future) under any financial or performance guarantee or indemnity or letter of credit;

7.3 Each contract to which the Thales or any of the Companies are now a party is valid and subsisting and there is no subsisting breach of any thereof which could lead to a claim for compensation, damages, specific performance or an injunction being made against Thales or any of the Companies or which could entitle a third

party to call in any moneys before the normal due date thereof which will in any such case materially and adversely affect the Business.

7.4 No party with whom Thales or any of the Companies have entered into any contract or arrangement is in default thereunder being a default which would have a material and adverse effect on the financial or trading position of the Business.

7.5 With respect to each of the contracts currently subsisting to which Thales and/or each of the Companies is a party in connection with the Business:

7.5.1 Thales and/or each of the Companies has not received any notice of termination;

7.5.2 the Companies have the technical and other capabilities and the human and material resources (including Inventory and promotional materials) to enable it to fulfil, perform and discharge all its outstanding obligations in the ordinary course.

7.6 The Disclosure Letter contains details of all subsisting arrangements, trading or otherwise, between the Companies and Thales or any Thales Affiliate.

7.7 Neither Thales nor any of the Companies (in relation to the Business) has outstanding any bid or tender or sale or service proposal which is substantial in relation to the Business or which has been issued in expectation of a loss following acceptance.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

7.8 No guarantee, indemnity, warranty or representation has been given to any customer in respect of goods or services supplied which would operate to extend the guarantee or warranty implied by law or contained in Thales' standard terms of business (a copy of which is attached to the Disclosure Letter).

MANUFACTURING AGREEMENT WITH INSTEM TECHNOLOGIES LIMITED

7.9 The copies of the documents contained in the Disclosure Documents in respect of the arrangements with Instem Technologies Limited constitute the entire agreement between the Companies and Instem Technologies Limited in connection with the Business.

7.10 There is no conflict between the rights granted by TCSL to Instem Technologies Limited and the rights granted by TCSL to each of Coppice Developments Limited and Precision Applications Limited.

DISTRIBUTION AGREEMENTS

7.11 The Companies do not make any direct sales to end customers (i.e. sales which are not made indirectly, for example, through a distributor) except as disclosed.

7.12 Except as disclosed, the Companies have not entered into any exclusive distribution agreements with any person

7.13 The Companies have not granted any conflicting rights to different persons under the terms of any exclusive distribution, representative or agency arrangements,

Source: NICE SYSTEMS LTD, 20−F, June 26, 2003

and in particular, exclusive distribution rights have not been granted to more than one person in respect of the same territory or products.

7.14 None of the Companies' agreements with third parties grant distribution rights in respect of any products other than products which are sold by the Companies in connection with the Business.

RELATIONSHIPS WITH IBM

7.15 The Companies have in place maintenance and service contracts with customers which generate sufficient income for TCSL to cover their payment obligations to IBM (UK Limited ("IBM") under all of the arrangements of TCSL with IBM.

7.16 The copies of the documents contained in the Disclosure Documents in respect of the arrangements with IBM constitute the entire agreement between the Companies and IBM in connection with the Business.

8 INTELLECTUAL PROPERTY

8.1 The Disclosure Letter and Schedule 7 contain true and accurate lists of all material Business IPR in any jurisdiction which are held or beneficially owned by the Companies. The Companies are the sole legal and beneficial owners of all Business IPR save as disclosed in the Disclosure Letter or Schedule 7.

8.2 The Disclosure Letter contains a true and accurate list of all material licensing or sub-licensing agreements or arrangements under which the Companies have the use of the Intellectual Property Rights of a third party for the purposes of the Business, and copies of such licences are included in the Disclosure Documents. No member of the Thales Group which is party to any such agreements or arrangements is in breach thereof and so far as Thales is aware no other party to such agreements or arrangements is in breach thereof.

8.3 So far as Thales is aware, no act has been done or omitted to be done and no event has occurred or is likely to occur which may render any registered or registrable Business IPR subject to revocation, compulsory licence, cancellation or amendment or may prevent the grant or registration of a valid registered or registrable Intellectual Property Right pursuant to a pending application.

8.4 The Disclosure Letter contains a true and accurate list of all material agreements or arrangements under which any member of the Thales Group has granted to any other person any license, or other right in relation to the Business IPR and of all Contracts falling within (d) of the definition of Contracts.

8.5 None of (a) the products or systems developed by or for the Companies or used exclusively in the Business and which embody the use of the Business IPR and which are used in or offered for sale or licensed by the Business at Completion; or (b) the Prism Product; or (c) the Wordnet 3 product as it exists at Completion; or (d) so far as Thales is aware no other part of the Business currently carried on by the Companies, infringes any Intellectual Property Rights of any other person or involves the unauthorised use of confidential information and so far as Thales is aware no member of the Thales Group has received any notice of any alleged infringement of the Intellectual Property Rights of any third party in relation to the Business and, save as set out in the Disclosure Letter, so far as Thales is aware no member of the Thales Group is aware of any circumstances (including any act or omission to act) likely to give rise to such a claim.

8.6 No Business IPR and no benefit of use of Intellectual Property Rights which are the subject of a Contract falling within (e) of the definition of Contract will be lost,

Source: NICE SYSTEMS LTD, 20−F, June 26, 2003

or rendered liable to any right of termination or cessation by any third party, by virtue of the acquisition by the Purchasers of the Business, save as stated in the Disclosure Letter.

8.7 So far as Thales is aware, there exists no actual or threatened infringement by any third party of Business IPR (including misuse of confidential information) or any event likely to constitute such an infringement nor has Thales (or any member of the Thales Group) acquiesced in the unauthorised use by any third party of any Business IPR.

8.8 So far as Thales is aware, no claims have been made or threatened in writing by employees or ex-employees of the Business under any statutory inventor compensation provision, or like employee compensation provision, in any jurisdiction, and no employee or previous employee of the Thales Group who in the case of his or her employment created, disclosed or developed work in which Intellectual Property Rights subsist have any ownership of, or rights to, such Intellectual Property Rights in relation to the Business IPR.

8.9 Neither the Business IPR , nor so far as Thales is aware any other Material IPR are subject to any Encumbrance. The interest of Thales under any contract in respect of Business IPR or Material IPR is not subject to any Encumbrance and so far as Thales is aware the interest of any other party under any such contract is not subject to any Encumbrance.

8.10 All renewal fees required for the maintenance of the Business IPR have been paid.

8.11 None of the Business IPR or, so far as Thales is aware, other Material IPR are the subject of any litigation, opposition, arbitration, mediation or administrative or

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

criminal proceedings and no such proceedings are so far as Thales is aware, threatened in writing.

8.12 The Business IPR, together with the Intellectual Property Rights which are the subject of a Contract falling within (e) of the definition of Contract as so licensed under such Contracts, are adequate to carry on the Business in the manner currently carried on and to fulfil its existing contracts save to the extent that the Purchasers need to replace the Excluded Trade Marks.

8.13 Save as set out in the Disclosure Letter, no member of the Thales Group other than the Companies uses any Business IPR.

8.14 Thales warrants that:

(a) the software licensed by Funk Software Inc. to TCSL is not used in the Business as carried on at Completion and has not been used in the Business in the 12 months immediately preceding Completion;

(b) TCSL is the absolute legal and beneficial owner of the Intellectual Property Rights in the elements of the "Tienna" and "Renaissance" products except for the Tienna "SS7" signaling protocol owned by Natural MicroSystems Corporation ("Natural");

(c) Natural and members of its group are not developing as at the date of Completion and have not in the 12 months immediately preceding Completion been contracted to develop any products or Intellectual Property Rights for use in the Business other than that described in paragraph (b) above;

(d) the software developed by Cliffstone for TCSL which related to TCSL's "Agent Quality Thales 3" product is not used in the Business as carried on at Completion and has not been used in the Business in the 12 months immediately preceding Completion;

(e) other than as listed in the French Disclosure Letter and the German Disclosure Letter, TCSA and TCS GmbH do not own any other Intellectual Property Rights and no products or processes have been made available to any persons which incorporate any TCSA or TCS GmbH Intellectual Property Rights and none of the Companies are legally bound to make such products or processes available; and

(f) no distributors, resellers (or other third party who has entered into an agreement with the Companies for the supply of Business products to end-users) of the Companies have made any modifications to any products in respect of which they have been granted distributor or reseller rights by the Companies.

(g) All Intellectual Property Rights which are disclosed under the French Disclosure Letter and the German Disclosure Letter have been created by employees of, and are owned by, TCSA and TCS GmbH.

(h) The Cross Patents Licence Agreements do not impose any ongoing obligations on the Purchasers other than an obligation not to derogate from the grant of a non-exclusive licence of any patents being transferred to the Purchasers pursuant to this Agreement to Alcatel in the field of civil telecommunications and Thomson Multimedia in the field of multimedia on electronics consumer products broadcast and network equipment.

9 INFORMATION TECHNOLOGY

9.1 A list of the Information Technology used by the Business and by each Company and all agreements, arrangements or understandings relating to the maintenance, development, support, security, disaster recovery, management and utilisation of the Information Technology used by the Business (including software licences, escrow agreements relating to the deposit of sources codes, facilities management and computer bureau services agreements) are disclosed in the Disclosure Letter.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

9.2 There are no material defects relating to the Information Technology used by the Business and the Information Technology used by the Business has the capacity and performance necessary to fulfil the present requirements of the Business.

9.3 No Company and no member of the Thales Group has disclosed to any third party any source code or algorithms relating to any software owned (either solely or jointly) by any of the Companies or by any member of the Thales Group in relation to the Business.

9.4 Details of any domain name, other than a domain name falling within the Excluded Trademarks, registered by any of the Companies or by any member of the Thales Group in connection with the Business are disclosed in the Disclosure Letter.

9.5 In the three years prior to the Completion Date there has been no bug, breakdown or virus affecting the Information Technology used (in relation to the Business) which has caused any material disruption to the Business.

10 CONFIDENTIAL INFORMATION

10.1 No disclosure has been made of any confidential information of the Companies in connection with the Business save in the ordinary course of business and upon the Companies having taken appropriate steps to secure the confidential nature of any such disclosure or as a result of publication which follows the filing of a patent application. Thales or the Companies are not aware of any material breach of such confidentiality obligations by any third party.

10.2 The Companies are not a party to any contract or arrangement under which it is or may be under obligation to make any disclosure of confidential information of the Companies in connection with the Business save in the ordinary course of business and upon the Companies having taken appropriate steps to secure the confidential nature of any such disclosure.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

11 INSURANCE

11.1 Thales and each of the Companies have maintained insurance cover in respect of the Business against risks normally insured against by companies carrying on a similar business, and in particular have maintained all insurance required by statute and product liability and environmental impairment liability insurance.

11.2 The Disclosure Letter contains particulars of all insurances maintained for the benefit of the Business. Such insurances are in full force and effect, all premiums in respect of the insurances maintained in respect of the Business have been paid when due and no such insurance policies have lapsed and the Companies have not committed any act or omitted to do anything which would render such insurances void or invalid or increase the premiums payable or affect the level or type of cover provided by such insurances.

11.3 There is no claim outstanding by Thales or any of the Companies under any of the Companies insurance policies relating to the Business or the Assets, nor are Thales or the Companies aware of any circumstances likely to give rise to such a claim.

12 PRODUCT LIABILITY

12.1 None of the Companies have, within the previous 18 months, received any claim from any third party relating to any product or service of the Business manufactured, sold or supplied which, was in any material respect, defective, other than defects which are covered in the ordinary course of business by any warranties or representations expressly given or implied by law in respect of the sale or supply of any such product.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

12.2 TCSL has not received a prohibition notice, a notice to warn or a suspension notice under the Consumer Protection Act 1987.

12.3 TCS GmbH has not received a prohibition notice, a notice to warn or a suspension notice under the German Product Liability Act ("Produkthaftungsgesetz").

12.4 TCSA has not received a prohibition notice, a notice to warn or a suspension notice under the relevant French law or other rules and regulations promulgated by local governmental authorities.

12.5 TCS Inc. has not received save as disclosed in the Disclosure Letter, any notice or other written communication from any US federal, state or local governmental authorities or administrative agency or body, or from any industry or standards-setting body, alleging any deficiencies in, or proposing to investigate or recall, any product or service of the Business sold or licensed or offered for sale or license in the United States.

13 LITIGATION

13.1 None of the Companies nor any person for whose acts or defaults any of the Companies may be vicariously liable are engaged whether as plaintiff or defendant or otherwise in any civil, criminal or arbitration proceedings or any proceedings before any tribunal (save for debt collection by each of the Companies in the ordinary course of the business for amounts which are not material) in connection with the Business and save as disclosed in the Disclosure Letter, so far as Thales is aware there are no proceedings threatened, pending or expected against any of the Companies and save as disclosed in the Disclosure Letter, neither Thales nor the Companies are aware of any facts or

circumstances which are likely to give rise to such litigation or arbitration, administrative or criminal proceedings or to any proceedings against a director or employee (past or present) of Thales or any of the Companies in respect of any act or default for which Thales or any of the Companies might be vicariously liable in connection with the Business.

13.2 So far as Thales is aware neither Thales nor any of the Companies are the subject of any official or governmental investigation or enquiry in respect of the affairs of Thales or any of the Companies in connection with the Business and no such investigations or enquiries are pending or expressly threatened against Thales or any of the Companies nor is Thales aware of any circumstances likely to lead to any such investigation or enquiry.

13.3 There is no order or judgment of any court or any governmental authority outstanding against Thales or any of the Companies in connection with the Business.

14 CONDUCT OF BUSINESS

Neither Thales nor any of the Companies have done or omitted to do anything in breach of any relevant law, statutory requirement, by laws or regulations applicable to the conduct of the Business where such contravention would have a material adverse effect on the continued operation of the Business after Completion.

15 LICENCES AND CONSENTS

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

15.1 All necessary licences, consents, permits, approvals, authorities (public and private) for or in connection with carrying on the Business now carried on by each of Thales or the Companies are listed in the Disclosure Letter and have been obtained by Thales and/or the Companies to enable each of the Companies to carry on the Business lawfully in the places and in the manner in which the Business is now carried on and all such licences, consents, permits, approvals and authorities are valid and subsisting and are not subject to any unusual or unusually onerous conditions having a material effect on the conduct of the Business and have been complied with in all material respects, no written notice has been received regarding any breach and none of the Companies are in material breach of any of the same nor so far as Thales is aware are there any circumstances which indicate that any material licence, consent, permission or approval is likely to be revoked. This warranty does not cover any licences, consents, permits, approvals or authorities which are contained in any of the contracts and are the subject of separate warranties above.

15.2 To the best knowledge of Thales and the Companies, none of the licences, permissions, authorisations or consents referred to in paragraph 15.1 above contain a right for the other party to revoke or not renew, in whole or in part, such licences, permissions, authorisations or consents as a result of the acquisition of the Business.

16 ENVIRONMENTAL AND HEALTH

16.1 Thales and each of the Companies in relation to the Business and the Business Properties have complied at all times and in all respects with Environmental Law and there are and have been no acts or omissions of any of Thales or any of the Companies in relation to the Business, Business Properties and Environmental Matters which could give rise to fines, penalties, losses, damages, costs, expenses or liabilities or could require any Works.

Source: NICE SYSTEMS LTD, 20−F, June 26, 2003

16.2 All Environmental Permits (if applicable) have been obtained and are in full force and effect, and no material operating or capital expenditure is required or proposed in relation to Environmental Matters under any such Environmental Permits.

16.3 So far as Thales is aware, no Environmental Matters exist or have arisen at or about any of the Business Properties which could give rise to any fines, penalties, losses, damages, costs, expenses or liabilities or could require Works. So far as Thales and each of the Companies are aware, no such matters are likely to arise.

16.4 Thales nor any of the Companies in relation to the Business or in relation to the Business Properties is or have been involved in any litigation proceedings, claim or complaint by any person under Environmental Laws, and so far as Thales is aware none is threatened and none is likely to arise. Thales, has not received any notice of communication or information alleging any liability in relation to Environmental Matters or that any Works are required or stating or suggesting that there is or might be any pollution, contamination or nuisance at or from any Business Property.

16.5 Neither Thales nor any of the Companies has any liability in respect of Environmental Matters under any contract or other agreement relating to the sale or other disposal or grant of any interest or rights in relation to any shares, land or other assets.

Source: NICE SYSTEMS LTD, 20−F, June 26, 2003

17 TAXATION MATTERS

17.1 Neither Thales nor any of the Companies is involved in any dispute with any Tax Authority concerning any matter in any way affecting either the Business or any of the Assets to be transferred under this Agreement.

17.2 The Disclosure Letter sets out details of any investigation (including the consequences thereof but ignoring routine inspections) by any Tax Authority within six years prior to the date hereof into or affecting the payment of Taxation in respect of the Business and of any disputes with any Taxation authority in relation to Taxation matters relating to the Business.

17.3 The Disclosure Letter sets out details of any payments made or due to or by Thales or any of the Companies in relation to the Business in respect of which either Thales or any of the Companies or the payer is under an obligation to deduct Tax or would be under such an obligation but for a written authorisation issued by any Tax Authority permitting payment without such deduction.

17.4 There is no reason why any part of the price payable by the Purchaser that is apportioned under this Agreement to those of the Assets which are plant or machinery for the purposes of Part II of the Capital Allowances Act 2001 should not, assuming such apportioned price represents capital expenditure incurred for the purposes of the Purchaser's trade, qualify in full for writing down allowances; none of such Assets are leased (as in the meaning of section 105 of such Act); and Thales accepts that no election may be made in respect of any of such Assets pursuant to section 266 of such Act.

17.5 In respect of any Assets which are plant and machinery for the purposes of Part II of the Capital Allowances Act 2001 and which are fixtures (as defined in section 173(1) of the Capital Allowances Act 2001) at Completion either (a) no person

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

has been or will have become entitled to allowances in respect of any Expenditure incurred on the provision of the fixture or, (b) if any person has become so entitled that person has been, is or will be required to bring the disposal receipts in respect of the fixture into account under section 55 of the Capital Allowances Act 2001.

17.6 None of the Contracts, other than any relating to the acquisition of the Assets, involve any future liabilities which when incurred will not be deductible in computing profits for Tax purposes.

17.7 No Tax Authority has agreed to operate any special arrangement (being an arrangement which is not based on a strict application of the relevant legislation) in relation to the Business, whether in respect of benefits provided to its officers or employees, the valuation of its stock, the depreciation of its assets or any administrative or other matter whatsoever.

17.8 None of the Assets are wasting assets within section 44 of the Taxation of Chargeable Gains Act 1992 which do not qualify for capital allowances.

17.9 Thales and the Companies have properly operated the PAYE system or equivalent system in any relevant jurisdiction deducting income tax and national insurance contributions (and any other social security contribution) as required from all payments to, or treated as made to, the Employees (and has deducted all amounts which are required to be deducted from wages, salaries or other benefits) and has punctually accounted to the relevant Tax Authority for all amounts of Tax and national insurance contributions (and any other social security contribution) due to them.

17.10 Proper records have been maintained by Thales and the Companies in respect of all PAYE (or equivalent system in any relevant jurisdiction) and national insurance contributions (and any other social security contribution) deductions and/or payments.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

17.11 Thales and the Companies have maintained and obtained accounts, records, invoices and other documents (as the case may be) appropriate or requisite for the purposes of VAT arising in respect of the Business which are complete, correct and up-to-date.

17.12 Neither Thales nor any of the Companies is liable to any abnormal or any non-routine payment, or any forfeiture, penalty, interest or surcharge, or to the operation of any penal provision, in relation to VAT.

17.13 Neither Thales nor any of the Companies has been required to give security to any Tax Authority for payment of VAT.

17.14 The Disclosure Letter sets out details of any investigation (including the consequences thereof) by any Tax Authority within six years prior to the date hereof into or affecting the payment of VAT in respect of the Business.

17.15 None of the Assets are chargeable assets of a business which, if transferred to a body corporate treated as a member of a group under section 43 of the VATA as a going concern, would give rise to a liability on that body corporate or the representative member of the group of which that body corporate is a member under section 44 of the VATA.

17.16 All documents in the possession or under the control of Thales or any of the Companies which establish or are necessary to establish the title of Thales or any of the Companies to the Assets have been duly stamped and any applicable stamp duties or charges in respect of such documents have been duly accounted

for and paid, and no such documents which are outside the United Kingdom would attract stamp duty if they were brought in to the United Kingdom.

17.17 Thales and the Companies have complied with all applicable Taxation laws and regulations relating to the Business and/or the Assets of any jurisdiction in respect of whose Taxation laws and regulations the Business and/or the Assets is subject where non-compliance could result in the Purchaser or any of its subsidiaries being required to pay Taxation which it would otherwise not be required to pay.

18 RECORDS ETC.

18.1 All the books, records and systems (including but not limited to computer systems) and all data and information relating to the Business have been adequately maintained or operated or otherwise held by Thales or the Companies at all times and such Books and Records have been retained by the Companies for such periods as may be required by the relevant law of the jurisdiction in which the Companies are incorporated.

18.2 Save as disclosed in the Disclosure Letter, none of the records, systems, controls, data or other information of each of the Companies in connection with the Business is recorded, stored, maintained, operated or otherwise dependent upon or held by any means (including any electronic, mechanical or photographic process whether computerised or not) which (including all means of access thereto and therefrom) are not under the exclusive ownership and direct control of any of the Companies.

18.3 None of the Companies, or, to the knowledge of Thales, any of the respective officers or directors of the Companies, is presently (I) using any funds of the

Companies for any unlawful contribution, endorsement, gift, entertainment or other unlawful expense relating to political activity; (ii) making any direct or indirect unlawful payment to any foreign or domestic regulatory body official or employee from any funds of the Companies, or (iii) making any bribe, unlawful payoff, influence payment, "kickback" or other unlawful payment to any person with respect to the Business.

19 INSOLVENCY

19.1 No order has been made and no resolution has been passed for the winding up of Thales or any of the Companies or for a provisional liquidator to be appointed in respect of Thales or any of the Companies and no petition has been prepared and no meeting has been convened for the purpose of winding up of Thales or any of the Companies.

19.2 No administration order has been made and no petition for such an order has been presented in respect of any of Thales or any of the Companies.

19.3 No receiver (which expression shall include an administrative receiver) has been appointed in respect of Thales or any of the Companies or all or any of the assets of Thales or any of the Companies.

19.4 Neither Thales nor any of the Companies is insolvent, or unable to pay its debts within the meaning of section 123 Insolvency Act 1986.

19.5 No voluntary arrangement has been proposed under section 1 Insolvency Act 1986 in respect of Thales or any of the Companies.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

19.6 No bankruptcy order has been made in respect of any of Thales or any of the Companies or a petition for such an order presented.

19.7 No application has been made in respect of Thales or any of the Companies for an interim order under section 253 Insolvency Act 1986.

19.8 Neither Thales nor any of the Companies are unable to pay or to have no reasonable prospect of being able to pay any debts as those expressions are defined in section 268 Insolvency Act 1986.

19.9 No event in respect of any of the Companies or the Business has occurred in any of the jurisdictions in which the Business is conducted analagous with any of the events specified in the foregoing sub-paragraphs of this paragraph 19.

20 COMMISSIONS ETC.

Save as disclosed in the Disclosure Letter, no commissions, introductory fees, bonuses or other payments or gifts having a monetary value have been paid or made available or agreed to be paid or made available by Thales or any of the Companies to any person, firm or company in relation to any transaction implemented under or contemplated in this Agreement.

21 COMPETITION AND FAIR TRADING LAWS

21.1 Neither Thales nor any of the Companies, in relation to the business, has done anything which contravenes or is likely to contravene, requires notification or is, or is likely to be, or has been the subject of any enquiry, complaint, investigation or proceeding under any of the provisions of the Fair Trading Act 1973, the EC

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

Treaty, the Competition Act 1980 or the Competition Act 1998 or any other competition, anti-trust, anti-monopoly or anti-cartel legislation or regulation in any country of the world in which or with which it does business. Furthermore, Neither Thales nor any of the Companies is a member or party to any agreement or arrangement which required registration under the Restrictive Trade Practices Acts 1976 and 1977.

21.2 Neither Thales nor any of the Companies have in relation to the Business, received any process, notice or other communication (formal or informal) by or on behalf of the Office of Fair Trading (whether under the Fair Trading Act 1973, the Competition Act 1980, the Competition Act 1998 or otherwise), the Competition Commission, the Secretary of State for Trade and Industry, the Commission of the European Communities, the EFTA Surveillance Authority, the US Fair Trade Commission or any other authority having jurisdiction in competition matters in relation to any aspect of the Business or any agreement, arrangement, concerted practice or course of conduct to which either Thales or any of the Companies is, or is alleged to be, a party in relation to the Business.

21.3 Neither Thales nor any of the Companies are involved in any practice or agreement as a result of which it is likely to receive any such process, notice or communication as is referred to in paragraph 21.2 above.

21.4 Neither Thales nor any of the Companies are subject to any order or judgment given by any court or governmental or regulatory authority, or party to any undertaking or assurance given to any such court authority, in relation to competition matters which is still in force.

21.5 Neither Thales nor any of the Companies have been in receipt of any aid which would be construed as falling within Article 87(1) of the EC Treaty and is not

aware of any pending or threatened investigation, complaint, action or decision in relation to the receipt or alleged receipt by it of any aid or alleged aid.

22 INVESTMENT REPRESENTATIONS

22.1 In evaluating the suitability of an investment in the Nice Shares, no member of the Thales Group has relied upon any representations or other information (whether written or oral) from Nice, other than the representations and warranties contained herein and upon investigations made by it in making the decision to invest in Nice.

22.2 Each member of the Thales Group is aware that an investment in Nice involves a high degree of risk.

22.3 Each member of the Thales Group acknowledges that any information furnished by Nice does not constitute investment, accounting, tax or legal advice. Moreover, such person is not relying upon any information furnished by Nice with respect to such person's tax and other economic considerations in connection with its investment in Nice. In regard to the Tax and other economic considerations related to such investment, each member of the Thales Group has relied on the advice of, or has consulted with, only its own professional advisors.

22.4 Each member of the Thales Group is aware that the Nice Shares are being offered and sold by means of an exemption under the Securities Act and exemptions under certain United States state securities laws for non-public offerings and under the Israel Securities Law and regulations promulgated thereunder and that each member of the Thales Group makes the representations, declarations and warranties as contained in this Section 22 with the intent that the same shall be relied upon by Nice in determining its suitability as a purchaser of such securities.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

22.5 Each member of the Thales Group is aware that it cannot sell or otherwise transfer the Nice Shares without registration under the Securities Act and applicable state securities laws or without an exemption therefrom, and that certain restrictions apply to trading the Nice Shares in Israel under the Israel Securities Law and regulations promulgated thereunder and is aware that it will be required to bear the financial risks of its purchase for an indefinite period of time because, among other reasons, such securities have not been registered with any regulatory body of any state of the United States and, therefore, cannot be transferred or resold unless subsequently registered under applicable state securities laws or an exemption from such registration is available. Each member of the Thales Group also understands that except as provided for under the Registration Rights Agreement, Nice is under no obligation to register the resale by any member of the Thales Group of Nice Shares or to assist it in complying with any exemption from registration under applicable United States federal or state securities laws or under the Israel Securities Law and regulations promulgated thereunder.

22.6 Each member of the Thales Group recognises that no regulatory body has recommended or endorsed the purchase of the Nice Shares or passed upon the adequacy or accuracy of the information set forth herein, and that Nice is relying on the truth and accuracy of the representations, declarations and warranties made by each member of the Thales Group as contained herein in selling the Nice Shares.

22.7 Each member of the Thales Group has at all times been given the opportunity to obtain additional information, to verify the accuracy of the information received and to ask questions of and receive answers from certain representatives of Nice concerning the terms and conditions of each member of the Thales Group's investment in Nice and the nature and prospects of Nice's business.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

22.8 Each member of the Thales Group further acknowledges that the transferability of the Nice Shares shall also be restricted by the contractual "lock-up" provisions contained in this Agreement. Thus, each member of the Thales Group realises that it cannot expect to be able to liquidate its investment in Nice readily or at all in case of an emergency.

22.9 Each member of the Thales Group is acquiring the Nice Shares for investment purposes, for its own account and not with a view to or in connection with any public distribution or resale of such securities to or for the accounts of others.

22.10 Each member of the Thales Group understands and agrees that a restrictive legend will be placed on all certificates representing the Nice Shares.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

PART 2

PURCHASERS' WARRANTIES

1 Each of the Purchasers have the requisite corporate power to execute, deliver and perform, and have taken all necessary corporate or other action to authorise the execution, delivery and performance of this Agreement. This Agreement will constitute legal, valid and binding obligations of the Purchasers enforceable in accordance with its terms.

2 The execution and delivery of, and the performance by the Purchasers of their obligations under, this Agreement will neither:

2.1 result in a breach of any provision of their constitutional documents; or

2.2 result in a breach of, or constitute a default under, any instrument to which, prior to Completion, any of the Purchasers is a party or by which any of the Purchasers is bound; or

2.3 require the consent of the shareholders of any of the Purchasers; or

2.4 result in a breach of any order, judgment or decree of any court or governmental agency to which any of the Purchasers is a party or by which any of the Purchasers is bound.

3 Other than the consents, permissions, approvals and agreements set forth in Clause 2.1.1 of this Agreement (the receipt or satisfaction of which, in accordance with Clause 2 of this Agreement, is a condition to the Completion of the transactions contemplated by this Agreement), all consents, permissions, approvals and agreements of third parties that are necessary or desirable for the

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

Purchasers to obtain in order to enter into and perform this Agreement in accordance with its terms have been obtained in writing.

4 No representation or warranty by the Purchasers in this Agreement nor any certificate or schedule, furnished or to be furnished to Thales in connection with the consummation of the transactions contemplated by this Agreement, contains or will contain any untrue statement of a material fact.

5 Except for the filings, permits, authorisations, consents and approvals as may be required under, and other applicable requirements of, the Exchange Act, the HSR Act or any other applicable antitrust laws or authorities, the TASE, the Investment Centre of the Israel Ministry of Industry and Trade and the Office of the Chief Scientist of the Israel Ministry of Industry and Trade, none of the execution, delivery or performance of this Agreement by Nice or the Purchasers, the issuance of the Ordinary Shares evidenced thereby by Nice, nor the consummation by each of Nice and the Purchasers of the transactions contemplated hereby or compliance by each of Nice and the Purchasers with any of the provisions hereof will (i) conflict with or result in any breach of any provisions of the certificate of incorporation, the by-laws or similar organisational documents of Nice; (ii) require any filing with, or permit, authorisation, consent or approval of any Governmental Authority or other person(including without limitation, consents from parties to contracts, loans, leases and other agreements to which Nice is a party); (iii) require any consent, approval, or notice under, or result in a violation or breach of, or constitute (with or without due notice or the passage of time or both) a default (or give rise to any right of termination, amendment, cancellation or acceleration) under, any of the terms, conditions or provisions of any agreement to which Nice is a party; or (iv) violate any order, writ, injunction, decree, statute, rule or regulation applicable to Nice or the Purchasers, any of their respective properties or assets, excluding from the foregoing clauses (ii) and (iii) such violations, breaches or defaults which would not, individually or in the aggregate, have a material adverse effect on Nice or the ability of Nice to consummate the transactions contemplated hereby.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

6 There are no actions, suits or proceedings by or, to the knowledge of Nice or the Purchasers, investigations by or before any Governmental Entity which are pending or, to the knowledge of Nice or the Purchasers, threatened in writing against Nice or the Purchasers, which challenge the validity of this Agreement or any action taken by Nice or the Purchasers pursuant to this When issued, the Shares and the ADSs will be duly authorized, validly issued and fully paid and will have the rights and privileges set forth in the Nice articles of association or the ADR Facility, as applicable, and will be issued free and clear of all Liens, voting trusts, proxies, calls or commitments of any kind.

7 When issued, the Shares and the ADSs will be duly authorized, validly issued and fully paid and will have the rights and privileges set forth in the Nice articles of association or the ADR Facility, as applicable, and will be issued free and clear of all Liens, voting trusts, proxies, calls or commitments of any kind.

8 Upon effectiveness of the Registration Statement, and upon being admitted for trading or authorized for quotation on Nasdaq, the ADRs will be freely transferable in the United States, but shall nevertheless remain subject to the provisions of Schedule 11 to this Agreement.

Source: NICE SYSTEMS LTD, 20−F, June 26, 2003

SCHEDULE 5

CLIFFSTONE WARRANTIES

1 TITLE TO CLIFFSTONE SHARES

1.1 Thales TRC Inc. is the sole legal and beneficial owner of the Cliffstone Shares and the sole legal and beneficial owner of the Cliffstone Note.

1.2 All of the Cliffstone Shares and the Cliffstone Note are validly issued and fully paid.

1.3 The Cliffstone Shares constitute between 35 and 40% of the fully diluted share capital of Cliffstone.

1.4 In respect of the Cliffstone Shares and/or the Cliffstone Note there are:

(a) no Encumbrances over or affecting them;

(b) no agreements, arrangements or obligations to give or create any Encumbrances over them; and

(c) no claims have been made that any person is entitled to any Encumbrances over them.

2 CAPACITY OF THALES TRC, INC.

2.1 Thales TRC, Inc. is duly organised and validly existing under all applicable laws.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

2.2 Thales TRC, Inc. has the requisite power and authority to enter into and perform this Agreement and the other documents which are to be executed by it pursuant to this Agreement (the "TRC Completion Documents").

2.3 The TRC Completion Documents will, when executed by Thales TRC, Inc. constitute a binding obligation on Thales TRC, Inc. in accordance with their respective terms.

2.4 The execution and delivery of, and the performance by Thales TRC, Inc. of its respective obligations under the TRC Completion Documents will not:

2.4.1 result in a breach of, or constitute a default under, any instrument to which either Thales TRC, Inc. is a party or by which Thales TRC, Inc. is bound; or

2.4.2 result in a breach of any order, judgment or decree of any court or governmental agency to which Thales TRC, Inc. is a party or by which Thales TRC, Inc. is bound; or

2.4.3 require the consent of the shareholders of Thales TRC, Inc. or of any other person; or

2.4.4 require Thales TRC, Inc. to obtain any consent or approval of, or give any notice to or make any registration with, any governmental or other authority which has not been obtained or made at the date hereof both on an unconditional basis and on a basis which cannot be revoked (save pursuant to any legal or regulatory entitlement to revoke the same other than by reason of any misrepresentation or misstatement).

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

3 COMPLIANCE WITH THE CLIFFSTONE DOCUMENTS

Each of Thales, Thales TRC, Inc. and the Thales Group have at all times complied with and are not in breach of the terms of any of the Cliffstone Documents and each of Thales, Thales TRC, Inc. and the Thales Group are not aware of the counter parties to the Cliffstone Documents being in breach of any of their obligations thereunder.

SCHEDULE 6

PENSIONS

PART 1 - UK PENSIONS

Employees of the Business who are members ("Members") of the Racal Group Staff Pension and Life Assurance Scheme, the Racal Group Executive Manager & Senior Manager Pension Scheme, the Racal Group Executive Pension Plan and the Thomson Retirement Benefit Scheme ("Thales' Schemes") will be treated as leaving service on the Completion Date for pension purposes. Thales will use its reasonable endeavours to procure that the Trustees of Thales' Schemes will provide Members with the normal leaving service benefits under the provisions of the relevant Thales Schemes (which will be advised to the individual Members concerned).

PART 2 - OVERSEAS PENSION SCHEMES

US Employees and all other current employees of TCS, Inc., if any, who are members (" Members") of the Thales North America Pension Plan, the Thales North America 401K Plan and the SIP-II Plan will be treated as leaving TCS, Inc.'s service on the Completion Date and will be treated in accordance with the terms and conditions contained in each of the above described plan dealing with terminate employees. Thales will advise individual Members of their rights and benefits under said plans on or shortly after the Completion Date.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

SCHEDULE 7

INTELLECTUAL PROPERTY RIGHTS

BUSINESS IPR

TRADEMARKS OWNED BY TCSL

Trademark	COUNTRY	APPLICATION NUMBER	APPLICATION DATE	REGISTRATION NUMBER	RENEWAL DATE	COMMENTS
A-MUX LOGO	UK	2059568	5/3/96	2059568	5/3/06	
BIG PICTURE TECHNOLOGY	CTM	2052991	24/1/01			
	USA	76/288370	20/7/01			
CALLMASTER	Norway	912590	23/5/91	155604	11/3/03	
	UK	1452564	9/1/91	1452564	9/1/08	
GEOSTORE	UK	1007802	9/3/73	1007802	9/3/08	
INVESTIGATOR	CTM	1832823	31/8/00	1832823	31/8/10	
	USA	76/149047	18/10/00			
MIRRA	CTM	830786	21/5/98	830786	21/5/08	
	USA	75/508202	25/6/98	2476967	14/8/11	Affidavit due 14/8/06
RAPIDAX	USA	113149	7/11/90	1745086	5/1/03	
	UK	1444906	22/10/90	1444906	22/10/07	
RENAISSANCE	CTM	1307636	14/9/99	1307636	14/9/09	

Trademark	COUNTRY	APPLICATION NUMBER	APPLICATION DATE	REGISTRATION NUMBER	RENEWAL DATE	COMMENTS
	USA	75/837065	1/11/99			
STOREHOUSE	UK	1140237	13/9/80	1140237	13/9/11	
STOREMED	UK	1176989	18/6/82	1176989	18/6/03	
STORENET	UK	1049140	7/7/75	1049140	7/7/06	
STOREPLEX	France	92431479	24/8/92	92431479	24/8/02	
	Germany	R52808/9 WZ	21/8/92	2051506	21/8/02	
	USA	75/662730	18/3/99	2378956	22/8/10	Affidavit due 22/8/05
	UK	1509634	14/8/92	1509634	14/8/09	
TIENNA	CTM	1387570	18/11/99	1387570	18/11/09	
	USA	75/924305	22/02/00			
TRUNKNET	CTM	1133156	9/4/99	1133156	9/4/09	
	USA	75/698405	5/5/99			
WORDNET	France	9556446	24/3/95	9556446	24/3/05	
	Germany	39512614	22/3/95	39512614	22/3/05	
	USA	74/649882	20/3/95	2093445	2/9/07	Affidavit due 2/9/02
	UK	2013801	10/3/95	2013801	10/3/05	
WORDSAFE	Denmark	3542/91	2/10/92	9057/92	2/10/02	
	USA	107236	19/10/90	1745083	5/1/03	

Trademark	COUNTRY	APPLICATION NUMBER	APPLICATION DATE	REGISTRATION NUMBER	RENEWAL DATE	COMMENTS
	UK	1439866	7/9/90	1439866	7/9/07	
	Norway	912591	23/5/91	153406	26/11/02	

PATENT OWNED BY TCSL

PATENT TITLE	REGISTERED OWNER	APPLICATION NUMBER	APPLICATION DATE	PUBLICATION NUMBER	PUBLICATION DATE	INVENTOR(S)	COMMENTS
VOICE ACTIVITY MONITOR	Thales Contact Solutions	9916430.3	13/7/99	2352948	7/2/01	Neil Martin Crick	Not yet granted

THIRD PARTY'S RIGHTS

License of this patent has been granted under general Cross Patents License Agreements signed between Trader and:

- Alcatel in the field of Civil Telecommunications
- Thomson Multimedia in the field of multimedia or electronics consumer products, broadcast and network equipment.

Source: NICE SYSTEMS LTD, 20−F, June 26, 2003

COPYRIGHT / DESIGN RIGHTS - HARDWARE

The following items are all covered by design documentation. Ownership is with Thales Contact Solutions Ltd.

HARDWARE ITEM	Comments
ICR 64 Recorder	
Rapidax Ranger recorder	
Wordsafe Maxima recorder	
Wordnet series 1 recorder	
Wordnet series 2 recorder	
Wordnet series 3 recorder	
Tienna recorder	
Mirra recorder	
Redac radar recording integration card	
PDET (Programmable Digital Extension Extension Tap Card	Wordnet and Mirrra
PCM32 line card	Tienna
DSP card	Wordnet
DSP Chip	Mirra

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

COPYRIGHT / DESIGN RIGHTS - SOFTWARE

The following items are all covered by design documentation and source code listings. Ownership is with Thales Contact Solutions Ltd

SOFTWARE ITEM	Comments
Mirra Management software	
Wordnet series 1 operating software	
Wordnet series 2 operating software	Developed by Origin - IPR with TCSL
Tienna operating software	Currently at release 7.0
CMSU software	Currently at release 7.0
RTT (Replay to Turret) software	Currently at release 7.0
Replay server software	Currently at release 7.0
SARA (Search and Replay application)	
SARA NG (Search and Replay application)	
RECO (Radar and voice scenario reconstruction replay application)	
Investigator search and replay application	Currently at release 7.0 (4.1 in general release)
Investigator RX Scenario reconstruction replay application (was Radio Currently at release 2.0 Replay)	
AQM (Agent Quality Management) application	Currently at release 3.0 (2.2 in general release)
Call confirm and last message replay applications	Currently both at release 1.0
MCC (Media Control Centre) application	Currently at release 1.0
Wordnet vendor object recorder control software for Prism application	Developed by Cliffstone - IPR with TCSL
Renaissance dashboard system management application	

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

QA recorder screen and voice recording application	Developed by Cliffstone - IPR with TCSL
Smart logger application	Development by Cliffstone incomplete - IPR with TCSL
RecorderLink recorder integration software	Currently at release 3.5
Web replay application	Not released
Switch decoder signal processing software	Various decoders for a range of telephone switches

DESIGN RIGHTS - DATABASE

The following items are all covered by design documentation. Ownership is with Thales Contact Solutions Ltd

DATABASE ITEM	Comments
Tracker database	Uses Microsoft JET technology
Tienna database	Uses Microsoft SQL server technology
CMSU database	Uses Microsoft SQL server technology

DESIGN RIGHTS - ARCHITECTURE

The following items are all covered by design documentation. Ownership is with Thales Contact Solutions

ARCHITECTURE ITEM	Comments
Renaissance Architecture	Currently at release 7.0

DOMAIN NAMES

The following domain names have been registered by Thales Contact Solutions.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

DOMAIN NAME	COMMENTS
Bigpictech.com	

SOFTWARE OWNED BY TCS GMBH

DATAX CONVERTOR SOFTWARE

SOFTWARE OWNED BY TCS SA

NOM	VERSION	LICENCE	SYSTEME D'EXPLOITATION	TYPE D'ENREGISTREUR	DATE DE SORTIE
REECOUTE IMMEDIATE	1,9	Poste	Windows 9x/NT/2000	WORDNET	//
INTERFACE SERVEUR TCS	1	Site	SERVEUR :Windows NT/2000 CLIENT: Tous systemes d'exploitations	WORDNET/MIRRA	Diponible Fin Aout avec une version beta Fin juillet
CONVERTISSEUR WAVE TCS	1	Poste	Windows 9x/NT/2000	WORDNET/MIRRA	//
REECOUTE IMMEDIATE TCS Pocket PC	1	Poste	Windows CE (Pocket PC)	WORDNET/MIRRA	Fin Aout
REECOUTE IMMEDIATE TCS PC	1	Poste	Unix, Linux, Mac OS version beta Fin juillet tous les systemes suportant le JAVA)	WORDNET/MIRRA	Fin Septembre
LIEN CENTORE 15	1		Windows 9x/NT/2000	WORDNET	//
LIEN CENTORE 15	2		Windows 9x/NT/2000	WORDNET	Fin Avril
SUPERVISEUR		Poste	Windows 9x/NT/2000	WORDNET	

SCHEDULE 8

GUARANTEES

1 Those bonds and guarantees listed at Disclosure Document UK.A.4 excluding those bonds and guarantees relating to Iran including (but not limited to) those in relation to the Civil Aviation Organisation (issued on 29 March 1995 and 20 February 1998) and the State Purchasing Organisation (performance bonds issued on 28 September 1994 and 9 January 1998) ("the Iran Guarantees")

2 A guarantee given by Thales to Barclays Bank Plc in respect of any liability of TCSL arising from those bonds and guarantees given by Barclays Bank plc to support obligations of the Companies with respect to the Business as listed at Disclosure Document UK.A.4 but excluding the Iran Guarantees

3 A guarantee proposed to be given by TCSL in respect of obligations of TCS GmbH under an agreement for the sale of certain assets and the novation of certain contracts to Origin Data Realisation GmbH disclosed at Disclosure Document UK.A.42

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

SCHEDULE 9

ACCOUNTING PRINCIPLES

The Completion Balance Sheet shall be prepared in the form set out in part D of this Schedule. The Completion Balance Sheet shall be drawn up in accordance with:

A GENERAL ACCOUNTING PROCEDURES

(i) the specific accounting policies, procedures and practices set out in paragraph C below;

(ii) to the extent not inconsistent with paragraph A(i) above, then:

(a) Assets and Assumed Liabilities of the Business of the US Company shall be accounted for in accordance with US GAAP;

(b) Assets and Assumed Liabilities of the Business of the UK Company shall be accounted for in accordance with UK GAAP;

(c) Assets and Assumed Liabilities of the Business of the German Company shall be accounted for in accordance with German GAAP;

(d) Assets and Assumed Liabilities of the Business of the French Company shall be accounted for in accordance with French GAAP; and

the GAAP of the relevant country shall in each case be applied in accordance with the same accounting policies, procedures and practices adopted in the preparation of the Accounts and in particular the provisions against the realisable value of assets and liabilities shall be prepared on a basis consistent with that applied in the Accounts.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

B GENERAL

1 The Completion Balance Sheet shall be expressed in Dollars and amounts in other currencies shall be translated into Dollars at the Conversion Rate prevailing on the Completion Date.

2 All records and work papers related to the preparation and audit of the Accounts shall be made available to the Auditors.

3 Inventory wherever situated shall be included in the Completion Balance Sheet and valued in accordance with the Accounting Principles.

4 Excluded Assets and Excluded Liabilities shall not be included in the Completion Balance Sheet.

C SPECIFIC ACCOUNTING PROCEDURES

1 The Completion Net Asset Value will be determined from the combination of the Assets and Assumed Liabilities (which shall be deducted from the Assets) of the Companies, which will have been prepared in accordance with the accounting rules described above, subject to:

- Elimination of all intra TCS Group receivables and payables whether trade or financial and intra Thales Group receivables and payables whether trade or financial
- Elimination of investments in combined Companies (eg TCSL investment in TCS GmbH)
- Elimination of unrealised profit included in inventory
- Elimination of pension related assets or liabilities, deferred taxes and any accrued expenses related to Thales Group debts
- Any other steps required solely for combination purposes to equitably arrive at the Completion Net Asset Value as mutually agreed by the parties or failing agreement as finally determined by Independent Accountants.

2 Inventory in excess of Euro 13,325,000 (being 105% of the amount of Inventory shown in the Combination Accounts) shall be disregarded and shall be valued as nil for the purposes of the Completion Balance Sheet.

3 A provision shall be made in respect of accrued not taken holiday pay.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

4 A provision shall be made for bonuses and commissions to be paid after Completion which relate to a period of performance prior to Competition.

D FORM OF COMPLETION BALANCE SHEET

(See following page)

E FORM OF AUDITORS' CERTIFICATE

(to be prepared on the notepaper of the Auditors)

To: Thales

Nice

date

reference

Gentlemen

The Company

We refer to the Sale and Purchase Agreement ("the Agreement") made between Thales and Nice on 2002 for the sale of the Business and the Assets as therein defined. Words and expressions defined for the purpose of the Agreement are to have the same meanings in this letter.

In accordance with clause [13] of the Agreement we attach, initialled for identification, draft Completion Balance Sheet and a statement of the Net Asset Value as at the Completion Date. The statement shows a Net Asset Value of Euro [ ] and therefore in accordance with the Agreement and by reference to the Target Net Asset Value the amount payable by [ ] to [ ] is Euro[ ].

In our opinion the draft Completion Balance Sheet have been prepared in all material respects in accordance with Clauses [13] of the Agreement and the Accounting Instructions.

Yours faithfully

Auditors

SCHEDULE 10

OVERSEAS COMPLETION REQUIREMENTS

PART 1 - THE US BUSINESS

OBLIGATIONS OF THALES, THE THALES GROUP, NICE AND THE PURCHASERS

1.1 To enter into an assignment and assumption agreement in the agreed terms.

1.2 To enter into a bill of sale in the agreed terms.

1.3 To enter into a stock and promissory note purchase agreement in the agreed terms in relation to the Cliffstone Shares and the Cliffstone Note.

1.4 To enter into a trademark assignment agreement in the agreed terms.

1.5 To enter into a patent assignment agreement in the agreed terms.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

PART 2 - THE FRENCH BUSINESS

1 OBLIGATIONS OF THALES, TCSA, NICE AND THE FRENCH PURCHASER

To enter into a French Business Transfer agreement in the agreed terms.

2 OBLIGATIONS OF THALES AND/OR TCSA

To deliver to Nice a certified copy of the shareholders resolution of TCSA:

(a) authorising the transfer of the French Business; and

(b) approving the transfer of the registered office of TCSA to a new location.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

PART 3 - THE GERMAN BUSINESS

1 OBLIGATIONS OF THALES, TCS GMBH AND GERMAN ACQUISITION CO

1.1 To enter into a German Business Transfer Agreement in the agreed terms.

1.2 To initial a complete list of assets at Completion.

2 OBLIGATIONS OF THALES AND/OR TCS GMBH

2.1 To deliver to Nice a certified copy extract from the current commercial register of TCS GmbH. shareholders of TCS GmbH authorising the managing director of TCS GmbH to sell the German Business.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

SCHEDULE 11

CORPORATE GOVERNANCE, REGISTRATION RIGHTS AGREEMENT AND STANDSTILL AGREEMENT

Corporate Governance; Lock Up; Orderly Marketing Arrangements

1 The parties recognise that the Share Consideration will result in the Thales Group holding 2,187,500 Nice Shares. Nice hereby represents and warrants that no Ordinary Shares of Nice have been issued since December 31, 2001 or will be issued prior to the Completion Date other than (i) upon exercise of options or purchases of Nice Shares by employees, officers or directors of, or consultants to, Nice, whether pursuant to Nice's current or any future written compensatory plans or agreements or otherwise in the ordinary course of business or (ii) as otherwise permitted by the terms and conditions of the Sale and Purchase Agreement. Thales hereby confirms its understanding of the current company business strategy of Nice as previously presented to Thales. Thales hereby acknowledges and agrees that Nice may, from time to time, issue additional Nice Shares, resulting in dilution of Thales' percentage interest in Nice. Thales will have no special right of first refusal or other pre-emptive rights in respect of any further issue of Nice Shares save for any rights it might hold together with the other Shareholders in Nice, under Israeli law or the rules of NASDAQ or the ISA.

2 Thales has also agreed to be bound by the terms and conditions of a standstill agreement substantially in the form of Schedule 11.1 hereto.

3 On Completion, the board of directors of Nice (the "Board") shall appoint two persons nominated by Thales to the Board one of whom may at Thales' election serve on the audit committee of the Board. If Thales sells or otherwise disposes of more than 50% of the Nice Shares constituting the Share Consideration, then one of Thales' appointees to the Board shall immediately resign and the remaining director nominated by Thales (if applicable) may at Thales' election serve on the audit committee of the Board. If Thales sells or otherwise disposes of more than seventy-five percent (75%) of the Nice Shares constituting the Share Consideration, or if

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

the Thales Group holds less than 2% of all issued and outstanding Ordinary Shares of Nice, then Thales' remaining appointee to the Board (if applicable) shall, if requested by Nice or the Board, immediately resign from the Board (and the audit committee, if applicable). The appointment and maintenance in office of such director(s) shall be subject to the corporate laws of Israel, the articles of association of Nice, Israel securities laws, and the rules and regulations of the Israel Securities Authority ("ISA"), the Tel Aviv Stock Exchange ("TASE") and the Nasdaq National Market ("Nasdaq"). Without derogating from the generality of the foregoing, Thales acknowledges that the shareholders of Nice have the right to appoint the members of the Board, and accordingly, the appointment of Thales' nominees as aforesaid is subject to the confirmation of such appointments, or re-appointment, by the shareholders of Nice at the next annual meeting of shareholders. It is anticipated that the Board will hold at least four meetings annually (one in Europe and three in Israel on an annual basis) with all meetings held in English.

Nice shall provide to the members of the Board of Nice designated by Thales indemnification rights and insurance coverage in each case on terms no less favourable than those available to other members of the Board of Nice from time to time.

4. (a) Except as provided in paragraph 6 below, Thales hereby agrees that Thales will not sell, assign, transfer, pledge, encumber or otherwise dispose of :

(i) any of the Nice Shares comprising the Share Consideration prior to the first anniversary of Completion;

(ii) more than twenty--five percent (25%) of the Nice Shares comprising the Share Consideration prior to the second anniversary of Completion; and

(iii) more than fifty percent (50%) of the Nice Shares comprising the Share Consideration prior to the end of thirty (30) months after Completion.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

(b) In addition, Thales hereby further agrees that (i) neither Thales nor any of its affiliates will engage in any hedging or monetization strategies with respect to the Nice Shares (including, without limitation, short sales, purchasing cash-settled put options, writing covered call options, or cashless collar options) at any time prior to the first anniversary of Completion; and (ii) neither Thales nor any of its affiliates will engage in any short sales at any time during which Thales has a nominee on the Board of Directors of Nice.

5. The following principles shall apply to the manner and timing of sale of the Nice Shares comprising the Share Consideration:

(a) At any time during which one or more nominees of Thales serve on the Board or during which no nominee of Thales serves on the Board solely due to one or more of the following (hereinafter, an "Acceptable Reason"): (i) Thales has failed to nominate an individual to the Board; (ii) Thales' nominees, if nominated or elected to serve as directors of a public company, would deprive the company of any rights, priviledges, exemptions or other benefits that would otherwise be available to the company under Israeli law or the rules or regulations of Nasdaq, the SEC or the ISA, and Thales has failed to nominate a replacement nominee whose service would not have a similar effect on the company; or (iii) all of Thales' nominees have resigned pursuant to paragraph 8 below :

(i) all sales of Nice Shares comprising the Share Consideration shall be effected through Nasdaq;

(ii) no sales of Nice Shares comprising the Share Consideration shall take place at a discount of more than ten percent (10%) to the last reported sale price immediately prior to the trade or the previous day's closing sale price on Nasdaq as applicable; and

(iii) Thales must give Nice two Nasdaq trading days notice prior to a sale comprising one percent (1%) or more of the issued and outstanding shares of Nice. Following such notification

by Thales, Nice shall keep confidential the subject matter of such notification and shall not engage in any activities with respect to the subject matter of such notification that would violate the rules and regulations of Nasdaq, TASE or the ISA.

(iv) All sales of Nice Shares comprising the Share Consideration (whether or not made under a registration statement, under SEC Rule 144, or otherwise), shall be subject to the provisions of the Registration Rights Agreement, and to any restrictions imposed by Nice's internal policies regarding sales by officers, directors and "affiliates" of Nice (Thales acknowledging that it, for so long as it has a designee on the board or beneficially owns 5% or more of the outstanding shares, will be an "affiliate" of Nice for purposes of such policies).

(b) At any time during which Thales does not have one or more nominees on the Board for any reason other than an Acceptable Reason:

(i) no sales of Nice Shares shall take place at a discount of more than ten percent (10%) to the lower of (i) the last reported sale price immediately prior to the trade or (ii) the previous day's closing sale on Nasdaq, as applicable; and

(ii) no transaction not effected through the Nasdaq shall take place unless Nice is given not less than five business days' notice of such transaction and a right of first refusal to acquire, or cause its designee to acquire, the relevant securities on the same terms as offered in such off-market transaction, provided that Nice's right of first refusal will expire if Nice or its designee fails to purchase the shares within the five business day period, and provided, further that Nice shall not have a right of first refusal:

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

(A) when such off-market transaction is to a Financial Institution (as defined below) acting as intermediary who no later than the date of its purchase of the Nice Shares has committed to dispose of the Nice Shares in transactions effected on Nasdaq to multiple financial institutions; or

(B) the transaction involves a sale to a single Financial Institution purchasing Nice Shares for its own account;

but where either (A) or (B) above shall be applicable, two business days' prior notice must be given to Nice before the relevant transaction is effected. Following such notification by Thales, Nice shall keep confidential the subject matter of such notification and shall not engage in any activities with respect to the subject matter of such notification that would violate federal or state securities laws or the rules or regulations of Nasdaq, TASE or the ISA.

For purposes of the foregoing, "Financial Institution" shall mean any registered securities broker, dealer, market maker, or regulated bank that does not control, is not under common control with, and is not controlled by any individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity (each a "Person") that is engaged in a business competitive with the Business or the business of Nice. For purposes of the foregoing, the term "control" (including the terms "controlled by" and "under common control with"), when used with respect to a specified Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through ownership of voting securities or partnership or other

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ownership interests, by contract or otherwise; PROVIDED that, without limiting the generality of the foregoing, (a) any Person (including family members of such Person) which owns, directly or indirectly, securities representing 20% or more of the value or ordinary voting power of a corporation or 20% or more of the partnership or other ownership interests (based upon value or vote) of any other Person is deemed to control such corporation or other Person, (b) a general partner shall always be deemed to control any partnership of which it is a general partner, and (c) a member-manager of a limited liability company shall always be deemed to control any limited liability company of which it is a manager.

(iii) All sales of Nice Shares comprising the Share Consideration (whether or not made under a registration statement, under SEC Rule 144, or otherwise), shall be subject to the provisions of the Registration Rights Agreement.

6. Upon expiration of the lock up periods described in paragraph 4 above, Thales may sell, assign, transfer or otherwise dispose of Nice Shares subject to the orderly marketing arrangements described in paragraph 5 above and in accordance with applicable law.

7. Notwithstanding the provisions of paragraphs 4 and 5, Thales shall be permitted to effect the following transfers of Nice Shares:

(a) Any transfer of Nice Shares to any Affiliate of Thales; provided that the transferee is, and acknowledges in writing that it is, with respect to the transferred Nice Shares, subject to all of the restrictions set forth in this Schedule and in the Standstill Agreement;

(b) Any bona fide pledge of Nice shares to a financial institution as security for any indebtedness of Thales; provided that the pledgee is, and acknowledges in writing that it is, with respect to the pledged Nice Shares, subject to all of the restrictions set forth in this Schedule and in the Standstill Agreement;

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(c) Any transfer of Nice Shares in connection with the sale of all or substantially all the assets of Thales; provided that the transferee is, and acknowledges in writing that it is, with respect to the transferred Nice Shares, subject to all of the restrictions set forth in this Schedule and in the Standstill Agreement and provided further that the provisions of paragraph 3 of this Schedule shall apply only to Thales and shall not apply to any such transferee;

(d) Any deposit of Nice Shares with the Depositary in exchange for ADRs, or any withdrawal of Nice Shares from the Depositary upon surrender of ADRs under the Deposit Agreement, dated as of January 24, 1996, by and among the Bank of New York, as depositary, Nice and holders of ADRs.

8. In the event of a significant bona fide disagreement with Nice's company strategy (a "Bona Fide Dispute") at any time after the first anniversary of Completion that results in the resignation of all of Thales' nominees to the Board (but excluding a resignation of said board members for any other reason), the lock up periods described in paragraph 4 above shall be reduced to the lesser of 6 months or the remaining lock up period for the Nice Shares still subject to such restrictions as of the date of resignation of Thales' appointed nominees to the Board. Notwithstanding the foregoing, the Nice Shares shall remain subject to the orderly marketing arrangements described in paragraph 5(b) above. In the event that, for any reason other than a Bona Fide Dispute or an Acceptable Reason (as defined above), Thales' nominees to the Board are not appointed or re-appointed by Nice, or are removed or replaced by Nice, the restrictions contained in paragraph 1, 2, 4 and 5(a) (but not 5(b)) shall terminate forthwith. Such restrictions shall not terminate upon the voluntary resignation of Thales' nominees to the Board.

9. During any period of time in which: (i) Thales has the right to designate, or in which (ii) Thales has serving on Nice's Board, one or more nominee directors, Thales agrees to vote its Nice Shares in favour of Nice's Board's recommendation as to additions, removals or substitutions to the Board and

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Thales further agrees not, individually or jointly with any others, to initiate, propose, encourage, support or vote for the appointment or removal of any other person to the Board or any shareholder proposal relating to the appointment or removal of any nominee to the Board, which is not supported by Nice's Board.

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REGISTRATION RIGHTS AGREEMENT

BY AND BETWEEN

[NICE]

AND

[THALES]

DATED AS OF [_________________], 2002

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "Agreement"), dated as of ______________, 2002, is entered into by and between [Nice], a corporation organized under the laws of Israel (the "Company") and [Thales], a company organized under the laws of France (the "Initial Holder").

RECITALS

WHEREAS, the Initial Holder and the Company have entered into a Sale and Purchase Agreement, dated [________________], 2002 (the "Sale and Purchase Agreement") pursuant to which the Company has agreed to purchase from the Initial Holder certain securities and other assets of the Initial Holder described therein for the consideration described therein;

WHEREAS, pursuant to the terms of the Sale and Purchase Agreement, the Company will issue or cause to be issued [2,187,500] American Depository Shares of the Company ("ADSs"), each representing one Ordinary Share, par value 1.00 New Israeli Shekel per share, of the Company (each, an "Ordinary Share") to the Initial Holder;

WHEREAS, pursuant to the terms of the Sale and Purchase Agreement, the ADSs and Ordinary Shares issued to the Initial Holder are subject to certain restrictions on transfer pursuant to (A) Schedule 11 to the Sale and Purchase Agreement, including prohibitions on any transfers within the first year following their issuance, limitations on transfers in subsequent periods, and limitations on the manner of sale (including pricing) of ADSs and any American Depositary Receipts representing ADSs ("ADRs"), and (B) US and Israeli securities laws;

WHEREAS, pursuant to the terms of the Sale and Purchase Agreement, the Company has agreed to eliminate certain of the restrictions under US and Israeli securities laws by entering into this Agreement to provide the Initial Holder with registration rights with respect to the ADSs and Ordinary Shares issued to the Initial Holder pursuant to the terms of the Sale and Purchase Agreement; and

WHEREAS, the Company and the Initial Holder desire to enter into this Registration Rights Agreement to provide for such registration rights on the terms set forth herein.

NOW THEREFORE, in consideration of the premises and the mutual representations, warranties, covenants and agreements contained herein, the parties hereto hereby agree as follows:

1. Certain Definitions.

As used in this Agreement, the following terms shall have the meanings ascribed to them below:

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1.1. "AFFILIATE" shall have the meaning given to it in Rule 12b-2 of the General Rules and Regulations under the Exchange Act.

1.2. "COMMISSION": the Securities and Exchange Commission.

1.3. "EXCHANGE ACT": the Securities Exchange Act of 1934, as amended.

1.4. "HOLDER" or "HOLDERS": the Initial Holder for so long as it shall hold Registrable Securities and any transferee of Registrable Securities to whom the Initial Holder shall assign or transfer any rights hereunder, PROVIDED that such transferee has agreed in writing to be bound by this Agreement and the transfer restrictions set forth in Schedule 11 to the Sale and Purchase Agreement in respect of such Registrable Securities.

1.5. "PERSON": any natural person, corporation, partnership, firm, association, trust, government, governmental agency or other entity, whether acting in an individual, fiduciary or other capacity.

1.6. "REGISTRABLE SECURITIES": the ADSs issued to the Holder pursuant to the terms of the Sale and Purchase Agreement and the Ordinary Shares underlying such ADSs. As to any particular Registrable Securities, such securities shall cease to be Registrable Securities when (I) a registration statement with respect to the sale of such securities shall have been declared effective under the Securities Act and such securities shall have been disposed of in accordance with such registration statement, or (ii) such securities are eligible to be sold or distributed pursuant to Rule 144 (or any successor provision) under the Securities Act within any consecutive three month period (including, without limitation, pursuant to Rule 144(k)) without volume limitations.

1.7. "SECURITIES ACT": the Securities Act of 1933, as amended.

2. Registration Rights.

2.1 SHELF REGISTRATION STATEMENT

(a) Obligation to File and Maintain. Subject to the prior receipt by the Company of the audited financial statements, auditors' report and current accountants' consent required by Section 10.6 of the Sale and Purchase Agreement, the Company agrees to prepare and, within two hundred seventy (270) days following the Completion Date (as defined in the Sale and Purchase Agreement) and in any event not later than June 30, 2003 (or, if later, the date that the Company's report on Form 20-F is required to be filed with the Commission), to file with the Commission, one (1) registration statement for an offering to be made on a continuous basis pursuant to Rule 415 under the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission, covering all of the Registrable Securities held by the Holders (such registration, the "Shelf Registration Statement"). The Shelf Registration Statement shall be on Form F-3 under the

Securities Act or another appropriate form selected by the Company (and reasonably acceptable to the participating Holders) permitting registration of such Registrable Securities for resale by the participating Holders in the manner or manners reasonably designated by them (not including underwritten offerings). The Company shall use its reasonable commercial best efforts to cause the Shelf Registration Statement to be declared effective by the Commission pursuant to the Securities Act no later than the one year anniversary of the Completion Date, and to keep the Shelf Registration Statement continuously effective under the Securities Act until the later of (i) the third anniversary of the Completion Date or (ii) the date on which all of such securities are eligible to be sold or distributed pursuant to Rule 144 (or any successor provision) under the Securities Act within any consecutive three month period (including, without limitation, pursuant to Rule 144(k)) without volume limitations (such period, the "Effectiveness Period"); provided, that the Effectiveness Period shall be extended by that number of days which is equal to the aggregate number of days that the selling Holders are required to suspend use of the Shelf Registration Statement pursuant to actions or events described in Section 3 of this Agreement.

(b) Selling Securityholder Information. The Company may require each participating Holder to furnish to the Company such information regarding the Holder and the distribution of the Registrable Securities as the Company may from time to time reasonably require for inclusion in the Shelf Registration Statement, and the Company may exclude from such registration the Registrable Securities of any Holder that fails to furnish such information within twenty (20) business days after delivery of such request by the Company. Each Holder agrees to furnish to the Company all information required to be disclosed in order to make the information previously furnished to the Company by such Holder not misleading.

(c) The Company represents and warrants that it currently meets the requirements for use of Form F-3 for registration of the public resale of the Registrable Securities and has no knowledge of any facts which would cause the Company to fail to meet such requirements. In the event that after the Completion Date Form F-3 is not available for the registration of the public resale of Registrable Securities pursuant to the terms herein, the Company shall use reasonable efforts to (i) register the public resale of the Registrable Securities on another appropriate short form, reasonably acceptable to the Holders, and (ii) undertake to register the Registrable Securities on Form F-3 as soon as such form is available; PROVIDED, that the Company shall maintain the effectiveness of the Shelf Registration Statement then in effect until such time as a Shelf Registration Statement on Form F-3 covering the Registrable Securities has been declared effective; PROVIDED, further that the combined effectiveness period of all Shelf Registration Statements covering the Registrable Securities shall not be longer than the Effectiveness Period.

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2.2 REGISTRATION PROCEDURES.

In connection with the preparation and filing of the Shelf Registration Statement, the Company shall, as expeditiously as practicable:

(a) prepare and file with the Commission a registration statement on Form F-3 under the Securities Act or another appropriate form selected by the Company (and reasonably acceptable to the participating Holders) for the disposition of the Registrable Securities of the Holders, which shall comply as to form in all material respects with the requirements of the applicable form and include all financial statements required by the Commission to be filed therewith, and the Company shall use its best efforts to cause such registration statement to become and remain effective (PROVIDED, HOWEVER, that before filing a registration statement or prospectus or any amendments or supplements thereto, or comparable statements under securities or blue sky laws of any jurisdiction, the Company will furnish to one counsel for the Holders participating in the planned offering (selected by the Holders of a majority of the Registrable Securities included in such registration) copies of all such documents proposed to be filed (including all exhibits thereto), which documents will be subject to the reasonable review and reasonable comment of such counsel;

(b) prepare and file with the Commission such pre- and post-effective amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective until the expiration of the Effectiveness Period and to comply with the provisions of the Securities Act with respect to the sale or other disposition of all Registrable Securities covered by such registration statement in accordance with the intended methods of disposition by the seller or sellers thereof set forth in such registration statement;

(c) furnish, without charge, to each seller of such Registrable Securities such number of copies of such registration statement, each pre- and post-effective amendment and supplement thereto (in each case including all exhibits), and the prospectus included in such registration statement (including each preliminary prospectus) in conformity with the requirements of the Securities Act, and other documents, as such seller may reasonably request in order to facilitate the public sale or other disposition of the Registrable Securities owned by such seller (the Company hereby consenting to the use in accordance with all applicable laws and the provisions of this Agreement of each such registration statement (or amendment or post-effective amendment thereto) and each such prospectus (or preliminary prospectus or supplement thereto) by each such seller of Registrable Securities in

connection with the offering and sale of the Registrable Securities covered by such registration statement or prospectus);

(d) use its reasonable commercial best efforts to register or qualify the Registrable Securities covered by such registration statement under such other securities or "blue sky" laws of such jurisdictions as any sellers of Registrable Securities shall reasonably request, and do any and all other acts and things which may be reasonably necessary or advisable to enable such sellers to consummate the disposition of the Registrable Securities in such jurisdictions, except that in no event shall the Company be required to qualify to do business as a foreign corporation in any jurisdiction where it would not, but for the requirements of this paragraph (e), be required to be so qualified, to subject itself to taxation in any such jurisdiction or to consent to general service of process in any such jurisdiction;

(e) promptly notify each Holder selling Registrable Securities covered by such registration statement: (i) when the registration statement, any pre-effective amendment, the prospectus or any prospectus supplement related thereto or post-effective amendment to the registration statement has been filed and, with respect to the registration statement or any post-effective amendment, when the same has become effective (with such notification by fax or email on the same day as such filing or effectiveness); (ii) of any request by the Commission or state securities authority for amendments or supplements to the registration statement or the prospectus related thereto or for additional information; (iii) of the issuance by the Commission of any stop order suspending the effectiveness of the registration statement or the initiation of any proceedings for that purpose; (iv) of the receipt by the Company of any notification with respect to the suspension of the registration or qualification of any Registrable Securities for sale under the securities or blue sky laws of any jurisdiction or the initiation of any proceeding for such purpose; and (v) of the existence of any fact of which the Company becomes aware which results in the registration statement, the prospectus related thereto or any document incorporated therein by reference containing an untrue statement of a material fact or omitting to state a material fact required to be stated therein or necessary to make any statement therein not misleading; and, if the notification relates to an event described in clause (v), the Company shall (A) promptly, and in any event within ten (10) business days, prepare and file with the Commission a prospectus supplemented or amended so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein in the light of the circumstances under which they were made not misleading and (B) promptly furnish to each such seller a reasonable number of copies of such supplemented or amended prospectus. In the event the Company shall give any such notice, the Effectiveness Period shall be

extended by the number of days during such period from and including the date of the giving of such notice to and including the date when each seller of any Registrable Securities covered by such registration statement shall have received the copies of the supplemented or amended prospectus;

(f) comply with all applicable rules and regulations of the Commission;

(g) (i) cause all such Registrable Securities covered by such registration statement to be listed on the principal US securities exchange on which similar securities issued by the Company are then listed (if any), if the listing of such Registrable Securities is then permitted under the rules of such exchange, or (ii) if no similar securities are then so listed, use its best efforts to cause all such Registrable Securities to be listed on a national securities exchange or, failing that, secure designation of all such Registrable Securities as a National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ") "national market system security" within the meaning of Rule 11Aa2-1 of the Commission or, failing that, secure NASDAQ authorization for such securities and, without limiting the generality of the foregoing, take all reasonable commercial actions that may be required by the Company as the issuer of such Registrable Securities in order to facilitate the registration of at least two market makers as such with respect to such securities with the National Association of Securities Dealers, Inc. (the "NASD");

(h) provide and cause to be maintained a transfer agent and registrar for all such Registrable Securities covered by such registration statement not later than the effective date of such registration statement;

(i) deliver promptly to each Holder participating in the offering copies of all correspondence between the Commission and the Company, its counsel or auditors and all memoranda relating to discussions with the Commission or its staff with respect to the registration statement, other than those portions of any such correspondence and memoranda which contain information subject to attorney-client privilege with respect to the Company, and, upon receipt of such confidentiality agreements as the Company may reasonably request, make reasonably available for inspection by any seller of such Registrable Securities covered by such registration statement, and by any attorney, accountant or other agent retained by any such seller, all pertinent financial and other records, pertinent corporate documents and properties of the Company, and cause all of the Company's officers, directors and employees to supply all information reasonably requested by any such seller, attorney, accountant or agent in connection with such registration statement;

(j) use its reasonable commercial best efforts to obtain the withdrawal of any order suspending the effectiveness of the registration statement;

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(k) provide a CUSIP number for all Registrable Securities, not later than the effective date of the registration statement;

(l) furnish to each Holder participating in the offering, without charge, at least one signed copy of the registration statement and any post-effective amendments thereto, including financial statements and schedules, all documents incorporated therein by reference and all exhibits (including those incorporated by reference);

(m) cooperate with the selling Holders of Registrable Securities to facilitate the timely preparation and delivery of certificates not bearing any restrictive legends representing the Registrable Securities to be sold, and cause such Registrable Securities to be issued in such denominations and registered in such names in accordance with the instructions of the selling holders of Registrable Securities at least three business days prior to any sale of Registrable Securities; and

(n) take all such other commercially reasonable actions as are necessary or advisable in order to expedite or facilitate the disposition of such Registrable Securities.

The Company may require as a condition precedent to the Company's obligations under this Section 2.2 that each seller of Registrable Securities as to which any registration is being effected furnish the Company such information regarding such seller and the distribution of such securities as the Company may from time to time reasonably request, provided that such information shall be used only in connection with such registration.

Each Holder of Registrable Securities agrees that upon receipt of any notice from the Company of the happening of any event of the kind described in clause (v) of paragraph (e) of this Section 2.2, such Holder will discontinue such Holder's disposition of Registrable Securities pursuant to the registration statement covering such Registrable Securities until such Holder's receipt of the copies of the supplemented or amended prospectus contemplated by paragraph (e) of this Section 2.2 and, if so directed by the Company, will deliver to the Company (at the Company's expense) all copies, other than permanent file copies, then in such Holder's possession of the prospectus covering such Registrable Securities that was in effect at the time of receipt of such notice. In the event the Company shall give any such notice, the Effectiveness Period shall be extended by the number of days during such period from and including the date of the giving of such notice to and including the date when each seller of any Registrable Securities covered by such registration statement shall have received the copies of the supplemented or amended prospectus contemplated by paragraph (e) of this Section 2.2.

If any such registration statement or comparable statement under "blue sky" laws refers to any Holder by name or otherwise as the Holder of any securities of the Company, then such Holder shall have the right to require (i) the insertion therein of language, in form and substance satisfactory to such Holder and the Company, to the effect that the holding by such Holder of such

securities is not to be construed as a recommendation by such Holder of the investment quality of the Company's securities covered thereby and that such holding does not imply that such Holder will assist in meeting any future financial requirements of the Company, or (ii) in the event that such reference to such Holder by name or otherwise is not in the judgment of the Company, as advised by counsel, required by the Securities Act or any similar federal statute or any state "blue sky" or securities law then in force, the deletion of the reference to such Holder.

2.3 REGISTRATION EXPENSES.

(a) "EXPENSES" shall mean any and all fees and expenses incident to the Company's performance of or compliance with this Agreement, including, without limitation: (i) Commission, stock exchange or NASD registration and filing fees and all listing fees and fees with respect to the inclusion of securities in NASDAQ, (ii) fees and expenses incurred in complying with United States or Israeli securities or state blue sky laws, (iii) printing expenses, (iv) messenger and delivery expenses, (v) fees and disbursements of counsel for the Company, (vi) fees and disbursements of all independent public accountants (including the expenses of any audit and/or "cold comfort" letter) and fees and expenses of other persons, including special experts, retained by the Company, (vii) fees associated with the issuance of the Company's American Depository Shares, evidenced by ADRs issued pursuant to the Deposit Agreement, dated as of January 24, 1996, by and among the Bank of New York, as depositary, the Company and holders of American Depositary Receipts (the "ADR FACILITY"), and (viii) fees and expenses, if any, relating to the maintenance, administration or amendment of the depository facility for the ADSs in connection with the sale of any Registration Securities (collectively, "EXPENSES").

(b) The Company shall pay all Expenses with respect to the registration contemplated by this Agreement whether or not such registration becomes effective or remains effective for the period contemplated by Section 2.1.

(c) Notwithstanding the foregoing, (x) the provisions of this Section 2.3 shall be deemed amended to the extent necessary to cause these expense provisions to comply with "blue sky" laws of each state in which the offering is made and (y) in connection with any registration hereunder, each Holder of Registrable Securities being registered shall pay all transfer taxes, if any, attributable to the Registrable Securities included in the offering by such Holder and (z) the Company shall, in the case of all registrations under this Agreement, be responsible for all its internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties).

2.4 NO REQUIRED SALE.

Nothing in this Agreement shall be deemed to create an independent obligation on the part of any Holder to sell any Registrable Securities pursuant to any effective registration statement.

2.5 INDEMNIFICATION.

(a) In the event of any registration of any securities of the Company under the Securities Act pursuant to this Agreement, the Company will, and hereby does, indemnify and hold harmless, to the fullest extent permitted by law, the seller of any Registrable Securities covered by such registration statement, its directors, officers, fiduciaries, employees and stockholders or general and limited partners (and the directors, officers, employees and stockholders thereof), and each other Person, if any, who controls such seller within the meaning of the Securities Act, against any and all losses, claims, damages or liabilities, joint or several, actions or proceedings (whether commenced or threatened) in respect thereof ("CLAIMS") and expenses (including reasonable fees of counsel and any amounts paid in any settlement effected with the Company's consent, which consent shall not be unreasonably withheld or delayed) to which each such indemnified party may become subject under the Securities Act or otherwise, insofar as such Claims or expenses arise out of or are based upon (i) any untrue statement or alleged untrue statement of a material fact contained in any registration statement under which such securities were registered under the Securities Act or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) any untrue statement or alleged untrue statement of a material fact contained in any preliminary, final or summary prospectus or any amendment or supplement thereto, together with the documents incorporated by reference therein, or the omission or alleged omission to state therein a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or (iii) any violation by the Company of any federal, state or common law rule or regulation applicable to the Company and relating to action required of or inaction by the Company in connection with any such registration, and the Company will reimburse any such indemnified party for any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such Claim as such expenses are incurred; PROVIDED, HOWEVER, that the Company shall not be liable to any such indemnified party in any such case to the extent such Claim or expense arises out of or is based upon any untrue statement or alleged untrue statement of a material fact or omission or alleged omission of a material fact made in such registration statement or amendment thereof or supplement thereto or in any such prospectus or any preliminary, final or summary prospectus in reliance upon and in conformity with written information furnished to the Company by or on behalf of such indemnified party specifically for use therein; and

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PROVIDED, FURTHER, that in no event shall the Company indemnify, or be deemed to indemnify, any such Person in connection with any actions taken by such Person in his or her capacity as a director of the Company to the extent that such indemnification is not permitted by applicable law. Such indemnity and reimbursement of expenses shall remain in full force and effect regardless of any investigation made by or on behalf of such indemnified party and shall survive the transfer of such securities by such seller.

(b) Each Holder of Registrable Securities that are included in the securities as to which any registration under this Agreement is being effected shall, severally and not jointly, indemnify and hold harmless (in the same manner and to the same extent as set forth in paragraph (a) of this Section 2.5) to the extent permitted by law the Company, its officers and directors, each Person controlling the Company within the meaning of the Securities Act and all other prospective sellers and their directors, officers, general and limited partners and respective controlling Persons with respect to any untrue statement or alleged untrue statement of any material fact in, or omission or alleged omission of any material fact from, such registration statement, any preliminary, final or summary prospectus contained therein, or any amendment or supplement thereto, if such statement or alleged statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company or its representatives by or on behalf of such Holder specifically for use therein and reimburse such indemnified party for any legal or other expenses reasonably incurred in connection with investigating or defending any such Claim as such expenses are incurred; PROVIDED, HOWEVER, that the aggregate amount which any such Holder shall be required to pay pursuant to this Section 2.5(b) and Sections 2.5(c) and (e) shall in no case be greater than the amount of the net proceeds received by such person upon the sale of the Registrable Securities pursuant to the registration statement giving rise to such claim. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such indemnified party and shall survive the transfer of such securities by such Holder.

(c) Indemnification similar to that specified in the preceding paragraphs (a) and (b) of this Section 2.5 (with appropriate modifications) shall be given by the Company and each seller of Registrable Securities with respect to any required registration or other qualification of securities under any state securities and "blue sky" laws.

(d) Any person entitled to indemnification under this Agreement shall notify promptly the indemnifying party in writing of the commencement of any action or proceeding with respect to which a claim for indemnification may be made pursuant to this Section 2.5, but the failure of any indemnified party to provide such notice shall not relieve the indemnifying party of its obligations under the preceding paragraphs of this Section 2.5, except to the extent the indemnifying party is

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materially prejudiced thereby and shall not relieve the indemnifying party from any liability which it may have to any indemnified party otherwise than under this Article 2. In case any action or proceeding is brought against an indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, unless in the reasonable opinion of outside counsel to the indemnified party a conflict of interest between such indemnified and indemnifying parties may exist in respect of such claim, to assume the defense thereof jointly with any other indemnifying party similarly notified, to the extent that it chooses, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and after notice from the indemnifying party to such indemnified party that it so chooses, the indemnifying party shall not be liable to such indemnified party for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation; PROVIDED, HOWEVER, that (i) if the indemnifying party fails to take reasonable steps necessary to defend diligently the action or proceeding within 20 days after receiving notice from such indemnified party that the indemnified party believes it has failed to do so; or (ii) if such indemnified party who is a defendant in any action or proceeding which is also brought against the indemnifying party reasonably shall have concluded that there may be one or more legal defenses available to such indemnified party which are not available to the indemnifying party; or (iii) if representation of both parties by the same counsel is otherwise inappropriate under applicable standards of professional conduct, then, in any such case, the indemnified party shall have the right to assume or continue its own defense as set forth above (but with no more than one firm of counsel for all indemnified parties in each jurisdiction, except to the extent any indemnified party or parties reasonably shall have concluded that there may be legal defenses available to such party or parties which are not available to the other indemnified parties or to the extent representation of all indemnified parties by the same counsel is otherwise inappropriate under applicable standards of professional conduct) and the indemnifying party shall be liable for any expenses therefor. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (A) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (B) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party.

(e) If for any reason the foregoing indemnity is unavailable or is insufficient to hold harmless an indemnified party under Sections 2.5(a), (b) or (c),

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then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of any Claim in such proportion as is appropriate to reflect the relative fault of the indemnifying party, on the one hand, and the indemnified party, on the other hand, with respect to such offering of securities. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the indemnifying party or the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. If, however, the allocation provided in the second preceding sentence is not permitted by applicable law, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative faults but also the relative benefits of the indemnifying party and the indemnified party as well as any other relevant equitable considerations. The parties hereto agree that it would not be just and equitable if contributions pursuant to this Section 2.5(e) were to be determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the preceding sentences of this Section 2.5(e). The amount paid or payable in respect of any Claim shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such Claim. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. Notwithstanding anything in this Section 2.5(e) to the contrary, no indemnifying party (other than the Company) shall be required pursuant to this Section 2.5(e) to contribute any amount in excess of the net proceeds received by such indemnifying party from the sale of Registrable Securities in the offering to which the losses, claims, damages or liabilities of the indemnified parties relate, less the amount of any indemnification payment made pursuant to Sections 2.5(b) and (c).

(f) The indemnity agreements contained herein shall be in addition to any other rights to indemnification or contribution which any indemnified party may have pursuant to law or contract and shall remain operative and in full force and effect regardless of any investigation made or omitted by or on behalf of any indemnified party and shall survive the transfer of the Registrable Securities by any such party.

(g) The indemnification and contribution required by this Section 2.5 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or expense, loss, damage or liability is incurred.

Source: NICE SYSTEMS LTD, 20−F, June 26, 2003

3 "Market Stand-Off" Agreement/Black-Out Periods.

(a) During the Effectiveness Period, each Holder that, at any time within twenty (20) trading days prior to the effectiveness of the registration statement referred to below, owns 5% or more of the Company's issued and outstanding equity securities, if requested by the Company and the managing underwriter, shall agree that, during the period of ninety (90) days (or such lesser time period as is agreed to by all officers and directors of the Company and all holders of 5% or more of the Company's issued and outstanding equity securities) following the effective date of a registration statement of the Company filed under the Securities Act in connection with an underwritten offering, it shall not sell or otherwise transfer or dispose of (other than to donees or partners who agree to be similarly bound) any ADSs or Ordinary Shares of the Company held by it except any ADSs or Ordinary Shares of such Holder included in such registration; PROVIDED, HOWEVER, that any Holder that holds less than 5% of the Company's issued and outstanding equity securities for each of the twenty (20) trading days prior to the effectiveness of such registration statement may, commencing on the thirty-first (31st) day after the effective date of the registration statement, sell ADSs or Ordinary Shares representing up to the greater of (x) 1% of the Company's then issued and outstanding equity securities or (y) the average weekly trading volume of the Company's equity securities during the four week period ending on the effective date of the registration statement; and PROVIDED, FURTHER, that:

(i) the foregoing agreement by the Holder shall be in writing in a form reasonably satisfactory to the Holder;

(ii) such agreement shall be applicable only to a registration statement initiated by the Company which covers ADSs or Ordinary Shares to be sold on its behalf to the public in a firmly committed underwritten offering; and

(iii) all officers and directors of the Company and all holders of 5% or more of the Company's issued and outstanding equity securities enter into similar agreements.

(b) Notwithstanding anything herein to the contrary, the Company shall be entitled to postpone or suspend (but not for a period exceeding 60 days or until the Company notifies the Holders of the termination of any black-out period) the filing or effectiveness of a registration statement otherwise required to be prepared and filed by it pursuant to Section 2.1 or require the Holders not to sell under the Shelf Registration Statement as provided for under Section 2.1 if the Company determines, in its good faith judgment, or if the managing underwriter for any underwritten offering advises the Company in writing, that such registration and offering, continued effectiveness or sale would interfere with any material financing, acquisition, disposition, corporate reorganization or other material transaction involving the Company or

any of its subsidiaries or public disclosure thereof would be required prior to the time such disclosure might otherwise be required, or when the Company is in possession of material information that it deems advisable not to disclose in a registration statement (a "VALID BUSINESS REASON BLACK-OUT PERIOD"), PROVIDED, HOWEVER, that (A) the Holders shall not be prohibited from selling ADSs or Ordinary Shares pursuant to the Shelf Registration Statement for 120 days after the Shelf Registration Statement is declared effective by the Commission, (B) the aggregate number of days included in all Valid Business Reason Blackout Periods during any consecutive six (6) months shall not exceed sixty (60) days and (C) there shall not be more than four (4) Valid Business Reason Black-Out Periods during any consecutive twelve (12) month period. The Company shall not be entitled to initiate a Valid Business Reason Black-Out Period unless it shall (i) to the extent permitted or required by agreements with other security holders of the Company, concurrently prohibit sales by such other security holders under registration statements covering securities held by such other security holders during such Valid Business Reason Blackout Period and (ii) concurrently prohibit purchases and sales in the open market by directors and executive officers of the Company during such Valid Business Reason Blackout Period.

(c) Each Holder further acknowledges and agrees that such Holder may have access to confidential information that constitutes material non-public information regarding the Company for purposes of the securities laws of the United States, and that such laws prohibit any person who has material non-public information about a company from purchasing or selling securities of such company, or from communicating such information to any other person under circumstances in which it is reasonably foreseeable that such person is likely to purchase or sell such securities.

4 General.

4.1 ADJUSTMENTS AFFECTING REGISTRABLE SECURITIES.
The Company agrees that it shall not effect or permit to occur any combination or subdivision of shares or any change in the number of Ordinary Shares represented by each ADS unless and until the Company has filed a registration statement with the Commission (or duly amended an existing effective registration statement), such that, after giving effect to such combination, subdivision or change, there shall be a sufficient number of registered ADSs to represent all Ordinary Shares underlying Registrable Securities held by all of the Holders pursuant to this Agreement.

4.2 MERGERS, ETC.
The Company shall not, directly or indirectly, enter into any merger, consolidation or reorganization in which the Company shall not be the surviving corporation unless the proposed surviving corporation shall, prior to such merger, consolidation or reorganization, agree in writing to assume the

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

obligations of the Company under this Agreement, and thereafter references hereunder to "Registrable Securities" shall be deemed to be references to the securities that the Holders of the Registrable Securities receive in exchange for Registrable Securities under any such merger, consolidation or reorganization; PROVIDED, HOWEVER, that the provisions of this Agreement shall not apply in the event of any merger, consolidation or reorganization in which the Company is not the surviving corporation if all Holders of Registrable Securities are entitled to receive in exchange for their Registrable Securities consideration consisting solely of (i) cash, (ii) securities of the acquiring corporation that may be immediately sold to the public without registration under the Securities Act or (iii) securities of the acquiring corporation that the acquiring corporation has agreed to register within 90 days of the completion of the transaction for resale to the public pursuant to the Securities Act.

4.3 RULE 144

For so long as any Holder holds Registrable Securities and the Company is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT"), the Company covenants that it will timely file the reports required to be filed by it under the Securities Act or the Exchange Act (including, but not limited to, the reports under Sections 13 and 15(d) of the Exchange Act referred to in subparagraph (c)(1) of Rule 144 under the Securities Act), and will take such further action as any Holder of Registrable Securities may reasonably request, all to the extent required from time to time to enable such Holder to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by (i) Rule 144 under the Securities Act, as such Rule may be amended from time to time, or (ii) any similar rule or regulation hereafter adopted by the Commission.

4.4 NOMINEES FOR BENEFICIAL OWNERS.

If Registrable Securities are held by a nominee for the beneficial owner thereof, the beneficial owner thereof may, at its option, be treated as the Holder of such Registrable Securities for purposes of any request or other action by any Holder or Holders of Registrable Securities pursuant to this Agreement (or any determination of any number or percentage of Ordinary Shares constituting Registrable Securities held by any Holder or Holders of Registrable Securities contemplated by this Agreement); provided that the Company shall have received assurances reasonably satisfactory to it of such beneficial ownership.

4.5 AMENDMENTS AND WAIVERS.

This Agreement may be amended, modified, supplemented or waived only upon the written agreement of the party against whom enforcement of such amendment, modification, supplement or waiver is sought.

4.6 NOTICES.

Except as otherwise provided in this Agreement, notices and other communications under this Agreement shall be in writing and delivered

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

personally, by telecopy (with confirmation sent within three business days by overnight courier) or by overnight courier, addressed to such party at the address set forth below:

(i) if to the Company, to:

[Nice]

with a copy to:

Brown Raysman Millstein Felder & Steiner LLP
900 Third Avenue
New York, NY 10022
Telecopy: (212) 895-2900
Attn: David M. Warburg, Esq.

(ii) if to the Initial Holder, to:

[Thales]

with a copy to:

Fried, Frank, Harris, Shriver & Jacobson
Suite 800
1001 Pennsylvania Ave., NW
Washington, DC 20004
Telecopy: (202) 639-7004
Attn: Andrew P. Varney, Esq.

Each Holder, by written notice given to the Company in accordance with this Section 4.6 may change the address to which such notice or other communications are to be sent to such Holder. All such notices and communications shall be deemed to have been received on the date of delivery thereof, if delivered by hand, on the fifth day after the mailing thereof, if mailed, on the next day after the sending thereof, if by overnight courier, when answered back if telexed and when receipt is acknowledged, if telecopied.

4.7 MISCELLANEOUS.

(a) This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and the respective successors and assigns of the parties hereto, whether so expressed or not. No Person other than a Holder shall be entitled to any benefits under this Agreement, except as otherwise expressly provided herein. This Agreement and the rights of the parties hereunder may be assigned by any of the parties hereto to any transferee of Registrable Securities, provided that such transferee agrees in writing to be bound by this Agreement and the transfer restrictions set forth in Schedule 11 to the Sale and Purchase Agreement in respect of such Registrable Securities.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

(b) This Agreement (with the documents referred to herein or delivered pursuant hereto) embodies the entire agreement and understanding between the parties hereto and supersedes all prior agreements and understandings relating to the subject matter hereof.

(c) This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of New York without giving effect to the conflicts of law principles thereof.

(d) The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof. All Section references are to this Agreement unless otherwise expressly provided.

(e) This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

(f) Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction.

(g) It is hereby agreed and acknowledged that it will be impossible to measure in money the damages that would be suffered if the parties fail to comply with any of the obligations herein imposed on them and that in the event of any such failure, an aggrieved person will be irreparably damaged and will not have an adequate remedy at law. Any such person shall, therefore, be entitled to injunctive relief, including specific performance, to enforce such obligations, without the posting of any bond and if any action should be brought in equity to enforce any of the provisions of this Agreement, none of the parties hereto shall raise the defense that there is an adequate remedy at law.

(h) Each party hereto shall do and perform or cause to be done and performed all such further acts and things and shall execute and deliver all such other agreements, certificates, instruments, and documents as any other party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

4.8 NO INCONSISTENT AGREEMENTS; SECURITIES REMAIN SUBJECT TO OTHER CONTRACTUAL RESTRICTIONS.

Neither the Company nor any Holder has, prior to the date of this Agreement entered into, or will, on or after the date of this Agreement enter into, any agreement with respect to its securities which is inconsistent with the rights granted in this Agreement or otherwise conflicts with the provisions hereof. Notwithstanding this Agreement and the effectiveness of any Shelf Registration Statement, the Holder acknowledges that pursuant to the terms of the Sale and Purchase Agreement, the ADSs and Ordinary Shares issued to the Holder are subject to certain restrictions on transfer pursuant to Schedule 11 to the Sale and Purchase Agreement, including prohibitions on any transfers within the first year following their issuance, limitations on transfers in subsequent periods, and limitations on the manner of sale (including pricing) of ADSs and any American Depositary Receipts representing ADSs, and that such restrictions shall apply, in accordance with the terms of the Sale and Purchase Agreement to sales or other transfers proposed to be effected pursuant to any Shelf Registration Statement.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date set forth above.

[NICE]

By:____________________________________

Name:

Title:

[THALES]

By:____________________________________

Name:

Title:

Source: NICE SYSTEMS LTD, 20−F, June 26, 2003

STANDSTILL AGREEMENT

STANDSTILL AGREEMENT (this "AGREEMENT"), dated as of _____________, 2002 [TO BE DELIVERED AT, AND EFFECTIVE AS OF THE EXECUTION OF THE DEFINITIVE SALE AND PURCHASE AGREEMENT], by and between [THALES] ("[THALES]"), a ________________ having an address at __________________ and [NICE] ("[Nice]"), a ________________ having an address at __________________.

RECITALS

WHEREAS, Thales and Nice have entered into that certain Sale and Purchase Agreement, dated as of _________, 2002 (the "SALE AND PURCHASE AGREEMENT") whereby Thales has agreed to sell, and Nice has agreed to purchase, the Business (as defined in the Sale and Purchase Agreement) as a going concern and the Assets (as defined in the Sale and Purchase Agreement), either directly or through its subsidiaries, upon the terms of the Sale and Purchase Agreement (the "TRANSACTION"); and

WHEREAS, Nice is an Israeli company whose American Depository Receipts ("ADRS") are listed on the NASDAQ Stock Market and is subject to the applicable provisions of the Securities Act of 1933, the Securities and Exchange Act of 1934 (the "EXCHANGE ACT") and the rules and regulations promulgated by the Securities and Exchange Commission and NASDAQ, and Thales will be required to effect certain filings pursuant to those laws, rules and regulations from time to time with respect to its ownership of ___________ Ordinary Shares and/or ADRs evidencing such Ordinary Shares in Nice (the "NICE SHARES") issued as partial consideration in the Transaction; and

WHEREAS, as a material condition of Nice entering into the Sale and Purchase Agreement, Nice requires that Thales execute and deliver this Agreement; and

WHEREAS, Nice and Thales have agreed that it is in their mutual interests to enter into this Agreement as hereinafter described.

NOW, THEREFORE, in consideration of the premises, covenants, and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

1. RESTRICTION ON CERTAIN ACTIONS.

(a) During the term of this Agreement, neither Thales nor any of its controlled Affiliates (as such term is defined in Rule 12b-2 of Regulation 12B under the Exchange Act) (collectively, the "THALES Group") will do any of the following without the prior written consent of the Board of Directors of Nice:

(i) acquire, offer to acquire, or agree to acquire, directly or indirectly, including as part of a group (within the meaning of Section 13(d)(3) of the Exchange Act), by purchase or otherwise, beneficial ownership of any securities or direct or indirect rights to acquire any securities of Nice if, as a result of such acquisition:

(A) the securities so acquired or offered or agreed to be acquired by any one or more members of the Thales Group, together with all securities of Nice (excluding the Share Consideration) acquired by all members of the Thales Group within the twelve months preceding such acquisition, in the aggregate represent or, if so acquired, would represent more than two percent (2%) of the number of Ordinary Shares of Nice issued and outstanding as of the Completion Date (as defined in the Sale and Purchase Agreement) after giving effect to the Nice securities to be issued at Completion (as defined in the Sale and Purchase Agreement); or

(B) the securities so acquired or offered or agreed to be acquired by any one or more members of the Thales Group, together will all securities of Nice (including any portion of the Share Consideration) then beneficially owned by any member of the Thales Group, in the aggregate represent or, if so acquired would represent more than twenty-four percent (24%) of the number of Ordinary Shares of Nice issued and outstanding as of the Completion Date after giving effect to the Nice securities to be issued at Completion.

(ii) at any time during which Thales has one or more nominees on the Board of Directors of Nice or during which Thales has no nominees on the Board due to their voluntary resignation, or due to an Acceptable Reason,

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

(A) grant any proxies (as defined in the Exchange Act) with respect to any voting securities of Nice, or securities convertible or exchangeable into such securities (except as recommended by the Board of Directors of Nice) or deposit any such securities in a voting trust or enter into any other arrangement or agreement with respect to the voting thereof; or

(B) make, or in any way participate in, directly or indirectly, any solicitation of proxies to vote (as such terms are used in the rules of the Securities and Exchange Commission), or seek to advise or influence any person or entity with respect to the voting of any voting securities of Nice;

PROVIDED that, notwithstanding the foregoing, Thales shall be entitled to accept or participate in any unsolicited proposal from any independent third party with respect to any of the transactions described in the foregoing clauses (A) and (B) on the same terms, and subject to the same conditions, as would apply to any other shareholder of Nice;

(iii) offer, propose, seek to enter into, make any public announcement with respect to, or otherwise solicit (with or without conditions), any acquisition transaction, business combination or other similar extraordinary transaction involving Nice or any of its subsidiaries or any of its or their securities or assets; PROVIDED that, notwithstanding the foregoing, Thales shall be entitled to accept or participate in any unsolicited proposal from any independent third party with respect to any such transaction on the same terms, and subject to the same conditions, as would apply to any other shareholder of Nice; or

(iv) request Nice or any of its representatives, directly or indirectly, to amend or waive any provision of this Agreement.

2. TERM. The term of this Agreement shall be for the period commencing on the date hereof and ending on the second anniversary of Completion (as defined in the Sale and Purchase Agreement); PROVIDED that this Agreement shall terminate, and be of no further force or effect, immediately upon

termination of the Sale and Purchase Agreement; and PROVIDED, FURTHER that, in the event that, for any reason other than a Bona Fide Dispute or an Acceptable Reason (each as defined in Schedule 12 to the Sale and Purchase Agreement), Thales' nominees to the Board of Directors of Nice are not appointed or re-appointed by Nice, or are removed or replaced by Nice, this Agreement shall terminate and be of no further force or effect (but, for the avoidance of doubt, this Agreement will not automatically terminate upon the voluntary resignation of Thales' nominees).

3.REMEDIES. Thales acknowledges and agrees that (i) the provisions of this Agreement are reasonable and necessary to protect the proper and legitimate interests of Nice and (ii) Nice would be irreparably harmed in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached, making any remedy at law inadequate. Accordingly, Thales further acknowledges and agrees that (i) Nice shall be entitled to an injunction and/or injunctions to redress breaches or threatened breaches hereof and to specific performance, in addition to any other appropriate relief, all of the same being cumulative, and (ii) that Nice may apply to any court of competent jurisdiction for specific performance, injunctive or other relief to enforce this Agreement and/or to prevent any violation of it, and shall not be required to post any bond as a condition of procuring such injunctive or other equitable relief.

4. MISCELLANEOUS.

4.1. ENTIRE AGREEMENT. This Agreement and the Sale and Purchase Agreement constitutes the entire agreement between the parties hereto and supersedes any prior understandings, agreements, or representations by or between the parties, written or oral, to the extent they relate in any way to the subject matter hereof.

4.2. SEVERABILITY. If any term, provision or restriction contained in this Agreement is held invalid, void, or unenforceable by a court of competent jurisdiction, the remaining terms and provisions hereof shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

4.3. SUCCESSOR AND ASSIGNS. This Agreement shall be binding upon Thales and its respective heirs, personal representatives, and successors, and shall inure to the benefit of Nice and its successors and assigns.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

4.4. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the domestic laws of the State of New York without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York.

4.5. AMENDMENTS AND WAIVERS. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by Nice. No waiver by Nice of any default or breach hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default or breach hereunder or affect in any way any of Nice's rights arising by virtue of any prior or subsequent such occurrence.

4.6. CONSTRUCTION. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by all of the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

4.7. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

y IN WITNESS WHEREOF, the parties hereto have caused this Standstill Agreement to be executed by their duly authorized officers on the date first above written.

[THALES]

By:_____________________________

Name:

Title:

[NICE]

By:_____________________________

Name:

Title:

SCHEDULE 12

TRANSITIONAL SERVICES AGREEMENT

DATED 2001

THALES (1)

AND

NICE (2)

TRANSITIONAL SERVICES AGREEMENT

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

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THIS AGREEMENT is made the day of 2002

BETWEEN:

(1) [Thales] a French societe anonyme having its registered office at 173 Boulevard Haussmann, Paris (75008) ("Thales"); and

(2) [Nice] an Israeli company having its registered office at Hapnina Street, Raanana, 43107, Israel ("Nice")

BACKGROUND

(A) Thales, Nice and others entered into an agreement for the sale and purchase of the business and assets of certain Thales subsidiaries on [ ] July 2002 (the "Sale Agreement").

(B) This Agreement is the Transitional Services Agreement referred to in the Sale Agreement and describes the arrangements for the provision of certain services and facilities by Thales and certain Affiliates of Thales to Nice on a temporary basis following Completion (as defined in the Sale Agreement).

(C) This Agreement also makes provision relating to the assignment of leases of vehicles and the use of petrol cards.

IT IS AGREED AS FOLLOWS:

1 DEFINITIONS AND INTERPRETATION

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

1.1 Words and expressions defined in the Sale Agreement shall have the same meaning in this Agreement, and the following words and expressions in this Agreement shall have the meanings respectively set opposite them:

"ACTUAL COSTS"	has the meaning given at clause 3.2;
"CARDS"	those petrol cards issued to employees who have the benefit of a company car;
"CONTRACTS"	the PHH Lease Contract and the PHH Service Contract and the HSBC Lease Contract;
"DISPUTE RESOLUTION PROCEDURE"	the procedure for resolving disputes under this Agreement described in clause 19;
"HSBC LEASE CONTRACT"	The Contract Hire Master Agreement dated 2 August 2001 between Thales Corporate Services Limited and HSBC Vehicle Finance (UK) Limited as amended by an Endorsement dated 2 August 2001;

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

"PHH LEASE CONTRACT"	the Contract Hire Agreement dated 27 March 1997 between Racal Electronics Plc (now Thales Electronics Plc) and PHH Vehicle Management Services PLC (now Arval PHH Business Solutions Limited) as amended by an Addendum Agreement dated 25 July 2001;
"PHH SERVICES CONTRACT"	the Master Maintenance and Management Services Agreement dated 13 August 1997 between Racal Electronics Plc (now Thales Electronics Plc) and PHH Vehicle Management Services PLC (now Arval PHH Business Solutions Limited);
"PHH VEHICLES"	those vehicles details of which are at Part 1 of Schedule 4;
"PRIOR PERIOD"	the 6-month period immediately preceding the Completion Date;
"SALE AGREEMENT"	the agreement dated [ ] July 2002 made between Thales, Nice and others;
"SERVICE COMMENCEMENT DATE"	the Completion Date;
"SERVICE FEES"	the amounts to be paid for the provision of the Services pursuant to this Agreement;
"SERVICE PROVIDER"	the party noted in Schedule 1 as providing a Service in accordance with this Agreement;
"SERVICE PREMIUM"	the amount being a percentage of Actual Costs payable in respect of the Services as part of the Service Fee and specified for each Service at Schedule 1;

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

"SERVICE RECIPIENT"	the party noted in Schedule 1 as receiving a Service in accordance with this Agreement;
"SERVICES"	the services numbered Service 1 to Service 9 more particularly described in Schedule 1;
"SERVICE	TERMINATION DATE" the date noted in Schedule 1 as the service termination date for a given service, or such later date as the parties may agree in writing;
"VEHICLES"	the PHH Vehicles and the HSBC Vehicles;.

1.2 In this Agreement, unless the context otherwise requires:

1.2.1 references to this Agreement include references to this Agreement, its Background and its Schedules as varied, supplemented and/or replaced in any manner from time to time;

1.2.2 references to any party shall, where relevant, be deemed to be references to or to include, as appropriate, their respective lawful successors, assigns or transferees;

1.2.3 references to the background, clauses, Schedules and sub-divisions of them are references to the Background and clauses of, and Schedules to, this Agreement and sub-divisions of them respectively;

1.2.4 references to any enactment shall be deemed to include references to such enactment as re-enacted, amended or extended before the date of this Agreement and any subordinate legislation made from time to time under it;

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

1.2.5 references to a "person" include any individual, company, corporation, firm, partnership, joint venture, association, organisation, institution, trust or agency, whether or not having a separate legal personality;

1.2.6 references to the one gender include all genders and references to the singular shall include the plural and vice versa;

1.2.7 headings are inserted for convenience only and shall be ignored in construing this Agreement;

1.2.8 the words "company", "subsidiary", "subsidiary undertaking" and "holding company" have the meanings given to them by the Companies Act 1985.

2 PROVISION OF SERVICES

2.1 The Services shall be provided by the Service Provider to the Service Recipient, subject to and in accordance with the terms of this Agreement from the Service Commencement Date until the Service Termination Date unless otherwise terminated pursuant to this Agreement.

2.2 Any Service Provider may change part or all of the Services at any time to the extent such changes are:

2.2.1 necessary to take account of legal or regulatory requirements affecting the Service or the Service Provider's business;

2.2.2 required by a third party which has the right to require them.

The Service Provider shall use its reasonable endeavours to provide the Service Recipient with as much notice as may be practicable of any such change.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

2.3 A Service Provider shall be entitled to suspend all or any part of the Services until further notice on notifying the other either orally (confirmation in writing) or in writing with immediate effect in order to comply with an order, instruction of Government, an emergency services organisation or other competent administrative authority, provided that, where practicable the relevant Service Provider shall:

2.3.1 give the Service Recipient reasonable prior notice in writing; and

2.3.2 use its reasonable endeavours to minimise the disruption caused by and the duration of any such suspension.

2.4 The parties shall co-operate in endeavouring to ensure that at all times there are in place such contracts, licences and other consents of third parties as are necessary to enable the relevant Service Providers to provide the Services in accordance with this Agreement.

2.5 The Service Recipient shall provide all such information, data and materials as the Service Provider may reasonably require to enable it to supply the Services.

2.6 Thales will procure that each Service Provider performs and fulfils its duties and obligations as set out in this Agreement as if such Service Provider was a party to it.

2.7 Nice will procure that each Service Recipient performs and fulfils its duties and obligations as set out in this Agreement as if such Service Recipient was a party to it.

3 SERVICE FEES

3.1 Nice shall pay or procure the payment to the relevant Service Provider of the Service Fees for the Services in accordance with this clause.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

3.2 The Service Fee for each Service shall be the actual costs incurred by the relevant Service Provider in providing the relevant Service ("Actual Costs"), including without limitation:

3.2.1 the costs of, and associated with, any additional overheads as are reasonably necessary for the continued provision of the relevant Service; and

3.2.2 the actual costs levied by third parties to enable the Service Provider to provide and the Service Recipient to receive the Services to the extent that such costs are not otherwise required to be incurred by the Service Provider for its own business purposes;

plus the relevant Service Premium.

3.3 A statement of the Actual Costs and Service Premium and an invoice for the relevant Service Fee for each month shall be provided to the relevant Service Recipient in respect of each Service within six weeks of the end of that month period.

3.4 In respect of each Service, the Service Recipient shall pay to the Service Provider within 14 days of receipt of invoice, the full amount of such invoice without deduction, set off or counterclaim.

3.5 All amounts due under this Agreement shall be paid in full, in pounds sterling.

3.6 All overdue amounts payable under this Agreement shall bear interest at a rate of two per cent per annum over the base lending rate of Barclays Bank plc, calculated on a daily basis for the period from the due date of such payment up to and including the date of payment in full, whether before or after any judgement. Interest shall continue to accrue on a daily basis notwithstanding termination of this Agreement for any cause whatsoever.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

3.7 In the event of a dispute, the parties shall use the Dispute Resolution Procedure provided that the monthly payments of Service Fees shall continue to be made during any use of the Dispute Resolution Procedure.

3.8 All charges and fees referred to in this Agreement are exclusive of all taxes and duties of any nature (including, but not limited to, Value Added Tax ("VAT") in the United Kingdom) which shall be payable in addition if required by law (subject, in the case of VAT to production of a proper VAT invoice).

4 VEHICLE LEASES AND CARDS

4.1 Nice shall from the Completion Date (but subject to the provisions of this clause 4) carry out and perform for its own account, with respect only to the Vehicles, the Contracts.

4.2 Thales and Nice shall use their respective reasonable endeavours to procure that the other party to the Contracts shall consent to the Vehicles becoming subject to agreements between Nice and that other party in a form substantially the same as the Contracts and the removal of the Vehicles from the terms of the Contracts with effect from the Completion Date (whether by contract, assignment, novation or otherwise).

4.3 Nice shall indemnify and keep indemnified Thales and any Affiliate of Thales from and against all costs, claims, demands, liabilities, expenses or damages arising out of or in connection with the Contracts in respect of the period after the Completion Date, except where such cost, claim, demand, liability, expense or damage shall arise wholly or partly as a result of the failure by Thales or any Affiliate of Thales duly to perform and comply with the terms of the relevant Contract prior to the Completion Date.

4.4 If, after Completion, such consent as is referred to in clause 4.2 shall be sought but refused or is not obtained within fifty days of the Completion Date,

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

the parties shall discuss alternative proposals in relation to the relevant Contracts and Vehicles and in default of agreement within a further period of ten days, Nice shall or shall procure that where failure of consent relates to:-

i) the PHH Lease Contract in respect of the PHH Vehicles, the PHH Vehicles are returned to Thales; and/or

ii) The HSBC Lease Contract in respect of the HSBC Vehicles, the HSBC Vehicles are returned to Thales;

and in each or either case Nice shall indemnify and keep Thales and any Affiliate of Thales indemnified from and against all costs, claims, demands, liabilities, expenses or damages arising from such Contracts in the period from the Completion Date, including but not limited to the cost of termination of the leases of the Vehicles following the return thereof to Thales.

4.5 Nice shall indemnify and keep Thales and any Affiliate of Thales indemnified from and against all costs, claims, demands, liabilities, expenses or damages arising from the use at any time following the Completion Date, of the Cards.

5 WARRANTIES AND LIMITATIONS OF LIABILITY

5.l Each Service Provider warrants that:

5.1.1 the Services will be provided with reasonable skill and care and shall in all material respects be consistent with those Services as provided in the Prior Period;

5.1.2 they will comply with all applicable laws in carrying out the Services and, in so far as they are able, retain all necessary licences, permissions and consents required to enable the other party to use the Services.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

5.2 The Parties shall be liable inter se as expressly provided in this Agreement, but shall have no other obligation, duty or liability whatsoever in contract, tort or otherwise to the other in relation to the Services.

5.3 Notwithstanding any other provisions of this Agreement (other than clause 5.4) the aggregate liability of each party to the others shall be limited in respect of claims arising out of or in connection with the provision of the Services, the Service Provider replacing any non-conforming Service or otherwise refunding the Service Fee in relation to that Service.

5.4 Nothing in this Agreement shall exclude or restrict any party's liability for death or personal injury resulting from its negligence as defined in the Unfair Contract Terms Act 1977.

5.5 The Parties shall not be liable to each other under this Agreement in contract, tort or otherwise, including any liability for negligence, for any loss of revenue, business contracts, anticipated savings, profits or any indirect or consequential loss. For the purpose of this clause 5.5, "anticipated savings" means any expense which the party expects to avoid incurring or to incur in a lesser amount than would otherwise have been the case by reason of using the Services.

5.6 The provisions of this clause 5 shall continue to apply notwithstanding the termination or expiry of this Agreement.

6 FORCE MAJEURE

6.1 If either party is prevented, hindered or delayed from or in performing any of its obligations under this Agreement by a Force Majeure Event, then:

6.1.1 that party's obligations under this Agreement shall be suspended for so long as the Force Majeure Event continues and to the extent that that party is so prevented, hindered or delayed;

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

6.1.2 promptly after commencement of the Force Majeure Event that party shall notify the other party in writing of the occurrence of the Force Majeure Event, the date of commencement of the Force Majeure Event and the effects of the Force Majeure Event on its ability to perform its obligations under this Agreement;

6.1.3 that party shall use all reasonable efforts to mitigate the effects of the Force Majeure Event upon the performance of its obligations under this Agreement; and

6.1.4 immediately after the cessation of the Force Majeure Event that party shall notify the other party in writing of the cessation of the Force Majeure Event and shall resume performance of its obligations under this Agreement as soon as reasonably practicable.

6.2 For the purposes of this clause, "Force Majeure Event" means any event beyond the reasonable control of a party including, without limitation, strikes, lock-outs, labour disputes, industrial action, Acts of God, war, riot, civil Commotion, terrorist activities, market disruption such that relevant stock and other markets ate not able to open for business or to function properly, compliance with any law or governmental order, rule, regulation or direction of any overriding emergency procedures, storm or (insofar as the same are beyond such party's reasonable control) breakdown of plant or machinery, accident, fire, loss of power or technical failure of software or hardware.

6.3 Each party shall inform the other as soon as is practicable of any circumstances that are likely to affect the performance of its obligations hereunder.

7 MODIFICATIONS

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

7.1 At any time during the duration of this Agreement, any Service Recipient may request and any Service Provider may recommend changes to the Services. Any such changes to Services or new services agreed between the parties shall become "Services" for the purpose of this Agreement.

7.2 Except as otherwise stated, this Agreement may only be modified if such modification is in writing and signed by a duly authorised representative of each party.

8 TERMINATION

8.1 This Agreement shall commence on the Completion Date and, unless terminated in accordance with this clause 8 shall continue until the last Service Termination Date.

8.2 This Agreement may be terminated by the parties forthwith by written notice to the others if:

8.2.1 the other party convenes a meeting of its creditors or if a proposal is made for a voluntary arrangement (within Part I of the Insolvency Act 1986) or a proposal for any other composition or scheme of arrangement with (or assignment for the benefit of) its creditors or if the other party is unable to pay its debts (within the meaning of section 123 of the Insolvency Act 1986) or if a trustee, receiver, administrative receiver or similar officer is appointed in respect of all or any part of the business or assets of that other party or if a petition is presented (and not discharged within 30 days) or a meeting is convened for the purpose of considering a resolution or other steps are taken (and are not withdrawn or otherwise negated within 30 days) for the winding up of that other party or for the making of an administrative order (otherwise than for the purpose of amalgamation or reconstruction) or if that party ceases to

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

carry on business as a going concern or ceases to be in a position to fulfil this Agreement or suffers an event in a foreign jurisdiction analogous to or comparable with any of the foregoing; and

8.2.2 there is a change of control (as defined in section 416 of the Income and Corporation Taxes Act 1988) of the other party other than by way of an intra-group reorganisation within that party's group;

8.2.3 if the other party commits a material breach of an obligation under this Agreement and, if the breach is capable of remedy, does not remedy the breach within 14 days starting on the Business Day after receipt of notice from the first party of the breach.

8.3 The Service Recipient may terminate any Service which is provided to it under this Agreement on four weeks' written notice to Thales and the Service Provider.

9 CONSEQUENCES OF TERMINATION

9.1 In the event of termination for any reason whatsoever of this Agreement, Thales and Nice shall procure that all relevant members of their respective Groups shall:

9.1.1 immediately cease to make use of the relevant Services;

9.1.2 (at its own cost) promptly to return all documents, manuals, statements and other such materials, and all copies thereof, of whatever nature supplied under or in connection with such parties' performance hereunder and which contains confidential or proprietary information of the other party. If requested, each party shall certify that it has fully complied in all respects with this provision upon the return of any such documentation or materials;

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

9.1.3 at the request and cost of a former Service Recipient provide that recipient or its agents with all reasonable assistance necessary to effect the transfer of the provision of the relevant Services to another third party supplier; . 9.1.4 for a reasonable period following termination, allow access to their premises on reasonable prior notice during normal business hours for the purpose of removing any or all of the Service Recipient's data, records and inventory.

9.2 Any termination of this Agreement shall, unless otherwise provided for herein, be without prejudice to any other rights or remedies to which either party may be entitled hereunder or at law and shall not affect any accrued rights or liabilities of either party nor the coming into force or the continuance in force of any provision hereof which is expressly or by implication intended to come into force or to continue in force on or after such termination.

9.3 The following clauses shall continue in force and remain operative notwithstanding termination of this Agreement for whatever reason: 4, 5, 11, 13, 15, 17 and 18.

10 SUB-CONTRACTING, ASSIGNMENT AND AFFILIATES

Neither party may assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the other.

11 CONFIDENTIALITY

11.1 Each of the parties hereto agrees to keep confidential all confidential information disclosed pursuant to or in the performance of this Agreement and to use such information solely for the purposes of carrying out its obligations under this Agreement.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

11.2 The provisions of clause 11.1 shall not apply to information which is publicly known or which subsequently becomes publicly known other than as a result of a breach of this clause 11.

12 ENTIRE AGREEMENT AND VARIATION OF TERMS

12.1 This Agreement, the Sale Agreement and the documents referred to therein, contains the entire agreement and understanding of the parties and supersedes all prior agreements, understandings or arrangements (both oral and written) relating to the subject matter of this Agreement. In case of conflict with the Sale Agreement and the documents referred to therein, the provisions of this Agreement shall take precedence with respect to the subject matter of this Agreement.

12.2 No variation of any of the terms of this Agreement (or of any other documents referred to herein) shall be effective unless made in writing and signed by or on behalf of each party.

13 WAIVER; REMEDIES

13.1 Any waiver of a breach of any of the terms of this Agreement or of any default hereunder shall not be deemed a waiver of any subsequent breach or default and shall in no way affect the other terms of this Agreement.

13.2 Except as otherwise specifically provided in this Agreement, no failure to exercise and no delay on the part of any party in exercising any right, remedy, power or privilege of that party under this Agreement and no course of dealing between the parties shall be construed or operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

14 SEVERABILITY OF PROVISIONS

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

If any provision of this Agreement is held to be illegal, invalid or unenforceable in whole or in part in any jurisdiction this Agreement shall, as to such jurisdiction, continue to be valid as to its other provisions and the remainder of the affected provisions and the legality, validity and enforceability of such provision in any other jurisdiction shall be unaffected .

15 NOTICES

15.1 Any notice or other communication to be given under this Agreement shall be in writing, shall be deemed to have been duly served on, given to or made in relation to a party if it is left at the authorised address of that party or sent by facsimile transmission to the fax machine situated at such address specified below and shall if:

15.1.1 personally delivered, be deemed to have been received at the time of delivery; or

15.1.2 posted to an inland address in the United Kingdom, be deemed to have been received on the second Business Day after the date of posting and if posted to an overseas address, be deemed to have been received on the fifth Business Day after the date of posting; or

15.1.3 sent by facsimile transmission, be deemed to have been received upon receipt by the sender of a facsimile transmission report (or other appropriate evidence) that the facsimile has been transmitted to the addressee;

Provided that where delivery or transmission occurs after 6.00 pm on a Business Day or at any time on a day which is not a Business Day, receipt shall be deemed to occur at 9.00 am on the next following Business Day.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

15.2 For the purposes of this clause the authorised address of each party shall be the address set out below (including the details of the facsimile number and person for whose attention notice of communication is to be addressed) or such other address (and details) as that party may notify to the other in writing from time to time in accordance with the requirements of this clause:

15.2.1 Thales:

173 Boulevard Haussmann
75415 Paris Cedex 08
France
Facsimile No: 00331 53 77 8263
Attention: Pierre Charreton, Trade Group General Counsel

Nice:

8 Hapnina Street
Raanana, 43107
Israel
Facsimile No: 001 927 9775 3520
Attention: Koby Huberman

with a copy to:

16 COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be an original, but all of which when taken together shall constitute a single instrument.

17 DISPUTE RESOLUTION

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

17.1 Any question or difference of opinion which may arise between the parties concerning any aspect of the Services shall be referred in the first instance to senior management of the parties in dispute, who shall use their reasonable efforts to resolve the dispute.

17.2 In the event that a dispute cannot be resolved by agreement of the parties within 15 days, the parties shall refer the dispute to an expert to be agreed between the parties or, in default of agreement, to be appointed upon the application of any party by the President for the time being of the Law Society, such expert to act only as an expert and not as an arbitrator. Such person shall be instructed to reach his decision as soon as reasonably practicable. The decision of the expert shall (in the absence of fraud or manifest error) be final and binding on the parties. The fees or costs of such an expert and his appointment shall be borne by the parties equally, unless such expert shall decide one party has acted unreasonably, in which case he shall have discretion as to costs.

18 GOVERNING LAW AND JURISDICTION

18.1 This Agreement shall be governed by, construed and interpreted in accordance with English law.

18.2 Subject to the provisions of clause 17, the courts of England shall have exclusive jurisdiction to settle any claim, dispute or matter of difference which may arise out of or in connection with this Agreement (including, without limitation, claims for set-off or counterclaim) or the legal relationships established by this Agreement.

19 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person who is not a party to this Agreement shall have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

The parties have shown their acceptance of the terms of this Agreement by executing it at the end of the Schedules.

SCHEDULE 1

SERVICES

SERVICE 1

Service Provider:	Thales GeoSolutions (Australasia) Limited
Service Recipient:	Nice CTI Systems UK Limited
Service Termination Date:	The date six months following the Service Commencement Date
Service Premium:	Nil
Service:	Provision of office space and facilities at 3 Powells Road, Brookvale, New South Wales 2100, Australia (the "Premises") Service Provider shall permit the T Fitzgerald and J Prince to have access to and use of the Premises on the same basis as such access and use has been provided by the Service Provider in the Prior Period.

SERVICE 2

Service Provider:	Thales e-Security (Asia) Limited
Service Recipient:	Nice CTI Systems UK Limited
Service Termination Date:	The date six months following the Service Commencement Date
Service Premium:	7%
Service:	Provision of office space and facilities at Units 2205 - 2206, 22/F Vicwood Plaza, 199 Des Voeux Road, Central Hong Kong, PRC (the "Premises") Service Provider shall permit the Alex Chang and Jenny Leung (the "HK Employees") to have access to and use of the Premises on the same basis as such access and use has been provided by the Service Provider in the Prior Period.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

SERVICE 3

Service Provider:	Thales e-Security (Asia) Limited
Service Recipient:	Nice CTI Systems UK Limited
Service Termination Date:	The date six months following the Service Commencement Date
Service Premium:	7%
Service:	Provision of residential apartment for the use of T McGinty (the "Premises"). Service Provider shall permit T McGinty to continue to occupy the the Premises on the same basis as such occupation has been provided in the Prior Period.

SERVICE 4

Service Provider:	Thales e-Security (Asia) Limited
Service Recipient:	Nice CTI Systems UK Limited
Service Termination Date:	The date six months following the Service Commencement Date
Service Premium:	7%
Service:	Secondment of the HK Employees. Service Provider shall make the services of the HK Employees available to the Service Recipient on the same basis as those services have been provided in the Prior Period and subject always to the overriding provisions of Schedule 3.

SERVICE 5

Service Provider:	Thales GeoSolutions Netherlands BV
Service Recipient:	Nice CTI Systems UK Limited
Service Termination Date:	The date six months following the Service Commencement Date.

Service Premium	5%
Service:	Administration and payment of payroll in respect of C Van Gaalen on the same basis as such services have been provided to TCSL in the Prior Period.

SERVICE 6

Service Provider:	Thales e-Security (Asia) Limited
Service Recipient:	Nice CTI Systems UK Limited
Service Termination Date:	The date six months following the Service Commencement Date
Service Premium	5%
Service:	Administration and payment of payroll in respect of T McGinty, A Chan and J Leung on the same basis as such services have been provided to TCSL in the Prior Period.

SERVICE 7

Service Provider:	Thales Contact Solutions Limited
Service Recipient:	Nice CTI Systems UK Limited
Service Termination Date:	The date six months following the Service Commencement Date
Service Premium:	7%
Service:	Secondment of Hassan Hamada, Rajith Mathath and Richard Richardson (the "ME Employees"). Service Provider shall make the services of the ME Employees available to the Service Recipient on the same basis as those services have been available to the Business in the Prior Period and subject always to the overriding provisions of Schedule 3.

SERVICE 8

Service Provider:	Thales Contact Solutions Limited
Service Recipient:	Nice CTI Systems UK Limited

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

Service Termination Date:	The date six months following the Service Commencement Date
Service Premium:	7%
Service:	The maintenance of the existing arrangement for the use of the UAE Office by the ME Employees. "UAE Office" means the office space at Al Makhari Building, Umm Harrier Road, PO Box 6246, Dubai, UAE, the use of which is governed by an arrangement at Disclosure Document Q&R 76.

SERVICE 9

Service Provider:	Thales GeoSolutions (Australia) (Pty) Limited
Service Recipient:	Nice CTI Systems UK Limited
Service Termination Date:	The date six months following the Service Commencement Date.
Service Premium:	5%
Service:	Administration and payment of payroll in respect of T Fitzgerald and J Prince on the same basis as such services have been provided to TCSL in the Prior Period.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

SCHEDULE 2

VEHICLES

THOSE VEHICLES LISTED AT DISCLOSURE DOCUMENT UK.A.47.

SCHEDULE 3

TERMS AND CONDITIONS RELATING TO SECONDMENTS

1 DURATION

Subject to the terms of this Agreement, the Secondment will continue until the Service Termination Date.

2 SECONDMENT SERVICES

During the Secondment, the Service Recipient will have the sole right to supervise and control the Employee. The Service Provider will have no knowledge of and therefore no responsibility for, and no liability with respect to the day to day activities of the Employee.

3 CONTINUING EMPLOYMENT BY SERVICE PROVIDER

3.1 During the Secondment, the Employee will remain employed by the Service Provider on the terms and conditions of employment subsisting as at the Completion Date (the "Employment Contract"). The Service Provider will second the Employee to the Service Recipient on the terms of the Employment Contract.

3.2 Nothing in this Agreement is intended to create a relationship of employer and employee between the Service Recipient and the Employee.

4 DUTIES OF SERVICE PROVIDER

4.1 The Service Provider will pay the Employee's salary and provide all contractual and other benefits to which the Employee is entitled under his Employment Contract.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

4.2 The Service Provider will be responsible for making appropriate tax and other deductions from the Employee's remuneration, as may be required under applicable law. The Service Provider agrees to indemnify and keep indemnified the Service Recipient in respect of any claim that may be made by the relevant authorities against the Service Recipient for income tax or other deductions as may be required under applicable law in respect of the Employee.

5 DUTIES OF SERVICE RECIPIENT

5.1 The Service Recipient will maintain a record of the Employee's sickness and holiday absence and will notify the Service Provider of such absence and provide a copy of such record to the Service Provider on a monthly basis on or around the first day of each month.

5.2 The Service Recipient will provide the Service Provider with such information as it reasonably requires to comply with all applicable law relating to the Secondment.

6 TERMINATION OF EMPLOYMENT

6.1 If the Employee's employment with the Service Provider ends for any reason, the Secondment will automatically terminate. The Service Provider will not be required to second a replacement employee unless requested to do so by the Service Recipient, and then only on terms to be agreed between the parties.

6.2 The Service Recipient will indemnify and keep the Service Provider indemnified against any costs and expenses including, without limitation, statutory or contractual redundancy costs, incurred in relation to the termination of employment of the Employee where such termination of employment is by reason of redundancy on termination of the Employee's Secondment.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

7 PROLONGED ABSENCE

If the Employee is away from work for any reason for more than four consecutive weeks, the Service Recipient may terminate the Secondment on four weeks prior written notice. The Service Provider will not be required to second a replacement for any period of absence of the Employee unless requested to do so by the Service Recipient and then only on terms to be agreed between the parties.

8 TERMINATION

8.1 Either party may terminate the Secondment immediately by giving written notice to the other if:

8.1.1 the Employee does or omits to do anything (whether in connection with the Secondment or not) which would allow the Service Provider to terminate his employment summarily; or

8.1.2 the Service Provider dismisses the Employee, the Employee voluntarily resigns or the Employee's employment with the Service Provider ends for any reason; or

8.1.3 the Employee acts in a way which is harmful in the reasonable opinion of the Service Recipient to the Service Recipient's business (whether in connection with the Secondment or not); or

8.1.4 the Employee is guilty of dishonesty or is convicted of an offence (whether in connection with the Secondment or not).

8.2 If either party commits any material breach of their obligations under this Agreement the other may terminate this Agreement and the Secondment with immediate effect by written notice.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

8.3 The Service Recipient shall be entitled to terminate the Secondment on four weeks prior written notice to the Serviced Provider if the Service Provider changes any of the Employee's terms and conditions such that the fees payable under clause 3 in respect of the Secondment are increased by more than 10%.

9 CONFIDENTIALITY

9.1 The Service Provider will not and will procure that the Employee will not use or disclose to any person including, without limitation, the Service Provider itself, any trade secrets or confidential information of the Service Recipient which the Employee receives or obtains during the Secondment. This restriction will continue after this Agreement ends.

9.2 The Service Provider will procure that, at the end of the Secondment or earlier if requested by the Service Recipient, the Employee returns to the Service Recipient all documents and other materials belonging or relating to the Service Recipient.

10 DISCIPLINARY MATTERS

If any disciplinary or grievance matter arises in relation to the Employee during the Secondment, the Service Recipient will notify the Service Provider as soon as possible. The Service Provider will deal with the matter in accordance with its disciplinary or grievance procedure. The Service Recipient will provide whatever assistance is reasonably necessary.

11 PROPERTY DAMAGE

The Service Recipient agrees to assume responsibility for and releases and agrees to defend and indemnify the Service Provider and its affiliates from and against any and all claims in respect of any damage to or loss of property

Source: NICE SYSTEMS LTD, 20−F, June 26, 2003

owned by the Service Recipient, its affiliates or partners or their contractors and which is caused by the Employee whilst on Secondment.

12 DAMAGES

In no event shall the Service Provider be liable, and the Service Recipient assumes responsibility, for any special, indirect or consequential damages, loss of profit, loss of revenue, loss of contract, loss of opportunity, loss of use of the facilities or other property, or business interruption or costs resulting from non-operation or increased expense of operation or maintenance, or costs of finance and any other similar types of losses suffered or incurred by the Service Recipient, howsoever caused to the extent that such losses are caused as a result of the actions of the Employee whilst on Secondment in the course of performing the Secondment Services.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

Signed by.....................................)
for and on behalf of)
[THALES])

Signed by.....................................)
for and on behalf of)
[NICE])

SCHEDULE 13

PRISM EARN-OUT CONSIDERATION TABLE

The Earn Out Consideration referred to in Clause 7.8 shall be calculated in accordance with the table set out below:

PRISM EARN-OUT CONSIDERATION TABLE (THE AMOUNTS SET FORTH BELOW ARE STAND ALONE FOR EACH RESPECTIVE YEAR)

ACTUAL PRISM REVENUE IN CALENDAR YEAR 2002, 2003 OR 2004 (EURO)	2002 EARN OUT (US$)	2003 EARN OUT (US$)	2004 EARN OUT (US$)
Less than EUR6 million	0	0	0
EUR6 million - under EUR7 million	$1 million	0	0
EUR7 million - under EUR8 million	$2 million	0	0
EUR8 million - under EUR9 million	$3 million	0	0
EUR9 million - under EUR10 million	$4 million	0	0
EUR10 million - under EUR12 million	$5 million	0	0
EUR12 million - under EUR14 million	$5 million	$1.5 million	$1.5 million
EUR14 million - under EUR16 million	$5 million	$3 million	$3 million
EUR16 million - under EUR18 million	$5 million	$4.5 million	$4.5 million
EUR18 million - under EUR20 million	$5 million	$5 million	$5 million
EUR20 million and above	$5 million	$7.5 million	$7.5 million

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

SCHEDULE 14

IPR AGREEMENTS

DATED 2002

THALES CONTACT SOLUTIONS LIMITED

THALES ELECTRONICS PLC

ASSIGNMENT OF INTELLECTUAL PROPERTY RIGHTS

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

THIS AGREEMENT is made on 2002

BETWEEN

(1) THALES CONTACT SOLUTIONS LIMITED (registered number 560700) whose registered office is at Western Road, Bracknell, Berks RG12 1RG (the "Assignor"); and

(2) THALES ELECTRONICS PLC (registered number 497098) whose registered office is at Western Road, Bracknell, Berkshire RG12 1RG (the "Assignee").

BACKGROUND

(A) The Assignor is the proprietor of the Assignor IPR (as defined below).

(B) Thales SA has granted patent licences over all group patents, including the Patent Application, to Alcatel and Thomson Multimedia ("Cross Patents Licence Agreements").

(C) The Assignor wishes to assign to the Assignee and the Assignee wishes to acquire the Assignor IPR on the terms and conditions set out below.

1 DEFINITIONS

1.1 In this Agreement the following expressions have the following meanings unless inconsistent with the context:

"ASSIGNOR IPR"	All Intellectual Property Rights owned by Assignor including but not limited to the Trade Marks the Patent Application and the copyright and any design rights in the Copyright Works but excluding the Excluded Trade Marks.
"COPYRIGHT WORKS"	The works identified in SCHEDULE 3.
"DOMAIN NAME"	The domain name identified in Part 3 of Schedule 1
"EXCLUDED TRADE MARKS"	means the trade marks, service marks, brand names, certification marks, trade dress, business names and

other indications of origin and any Internet protocol addresses and networks, including domain names, e-mail addresses, and world wide web (www) and http addresses, network names, network addresses, and services which subsist of or include "Thales", "Thales Contract Solutions", Racal", "Thomson" or any confusingly similar work or any Thales, Racal or Thomson specific logos.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

"INTELLECTUAL PROPERTY RIGHTS"	All intellectual property in any jurisdiction, whether registered, pending applications or unregistered, including without limitation: (a) all trade marks, service marks, brand names, certification marks, trade dress, business names and other indications of origin; (b) Patents; (c) trade secrets, know-how and other confidential or non-public business information, including ideas, manufacturing and production processes and techniques, research and development information, drawings, specifications, designs, source codes plans, proposals and technical data, business and marketing plans, market surveys, market know-how and customer lists and information; (d) writings and other copyright works, including computer programs, source code, object code and documentation (whether or not released), design right, architecture, database rights, and all copyrights and any non-registered copyrights to any of the foregoing; (e) integrated circuit topographies and mask works; (f) Internet protocol addresses and networks, including domain names, e-mail addresses, world wide web (www) and http addresses, network names, network addresses and services; (g) privacy and publicity rights; and (h) all other intellectual property rights of a similar nature or having equivalent or similar effect to these which may subsist anywhere in the world;
"PATENT APPLICATION"	the application for the grant of a patent particulars of which are contained in SCHEDULE 2

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

"PATENTS"	any and all patents, patent applications (including letters patent, industrial designs, and inventor's certificates), design registrations, invention disclosures, and applications to register industrial designs, and any and all rights to any of the foregoing anywhere in the world, including any provisionals, substitutions, extensions, supplementary protection certificates, re-examinations, reissues, renewals, divisions, continuations in part (or in whole), continued prosecution applications, requests for continued examination, and other similar filings or notices provided for under the laws of any country;
"REGISTERED TRADE MARKS"	the registered trade marks particulars of which are contained in PART 1 of SCHEDULE 1
"TRADE MARK APPLICATIONS"	The trade mark applications identified in PART 2 of SCHEDULE 1.
"TRADE MARKS"	the Registered Trade Marks and the trade marks the subject of the Trade Mark Applications and the Domain Name means the Software Licence and Service Agreement dated 1st
"WORDNET 3 LICENCE"	March 2002 between TCSL and Origin Data Realisation Limited;

2 CONSIDERATION

In consideration of the Assignor entering into this Agreement, the Assignee shall pay to the Assignor upon signature of this Agreement the sum of US$4,000,000 (four million US dollars) such sum to be left outstanding on inter-company loan account.

3 TRADE MARKS

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

3.1 The Assignor assigns to the Assignee absolutely with full title guarantee the Trade Marks including the goodwill in the Trade Marks and the full and exclusive benefit of each of them, including all statutory and common law rights and the right to sue for past infringements and to retain any damages obtained as a result of such action.

3.2 The Assignor agrees at the expense of the Assignee to execute such further documents, and take such actions and do such things, as may be reasonably requested by the Assignee to give full effect to the terms of this Agreement and to secure the full right, title and interest of the Assignee in the Trade Marks.

4 PATENT APPLICATION

4.1 The Assignor assigns to the Assignee absolutely with full title guarantee:

4.1.1 the Assignor's right to apply for, prosecute and be granted the patent or obtain similar protection throughout the world for the invention(s) claimed in the Patent Application and any remaining right to claim priority therefrom (including under the Paris Convention for applications in countries or territories outside the UK), any remaining right to file continuations, continuations in part, divisionals or seek re-examination or re-issue, so that the grant of any patent or similar protection shall be in the name of and vest in the Assignee;

4.1.2 all the rights of the Assignor to, and its title to and interest in, the Patent Application;

4.1.3 all and any other rights and powers arising or accruing from the Patent Application, including without limitation the right to sue for damages and to have the benefit of any other remedies for infringement of any patents subsisting under the Patent Application occurring before the date of this Agreement.

subject to the Cross Patents Licence Agreements.

4.2 The Assignor agrees at the expense of the Assignee to execute such further documents, and take such actions and do such things as may be reasonably requested by the Assignee, to give full effect to the terms of this Agreement, and to secure the full right title and interest of the Assignee in the Patent Application.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

5 COPYRIGHT

5.1 The Assignor assigns to the Assignee absolutely with full title guarantee:

5.1.1 any and all copyright and design right which it owns, if any, in the Copyright Works;

5.1.2 all rights and powers arising or accrued from the Copyright Works, including without limitation the right to sue for damages and other remedies and to have the benefit of any remedy obtained on any supposed infringement of such Copyright Works before the date of this Agreement; and

5.1.3 the right to apply for copyright and design protection in any part of the world in relation to all or any of the Copyright Works, including without limitation the right to apply for renewals and extensions.

5.2 The Assignor agrees at the expense of the Assignee to execute such further documents and take such actions and do such things as may be reasonably requested by the Assignee to give full effect to the terms of this Agreement (including without limitation assisting the Assignee in the resolution of any question concerning the Copyright Works) and to secure the full right, title and interest of the Assignee in the Copyright Works.

6 OTHER INTELLECTUAL PROPERTY RIGHTS

6.1 The Assignor assigns with full title guarantee all Assignor IPR (other than the Trade Marks, Patent Application and the copyright and design right in the Copyright Works which are dealt with above) to the Assignee absolutely.

6.2 The Assignor agrees at the expense of the Assignee to execute such further documents and take such actions and do such things as may be reasonably requested by the Assignee to give full effect to the terms of this Agreement and to secure the full right, title and interest of the Assignee to the Assignor IPR set out in clause 6.1 above.

7 WORDNET 3 SOFTWARE

7.1 The Assignor assigns to the Assignee all rights to which the Assignor is entitled under the Wordnet 3 Licence, subject to the obligations under the Wordnet 3 Licence.

7.2 The Assignor agrees that it shall do or procure the doing of all such acts and things and shall execute or procure the execution of all such documents as may be required to vest in the Assignee all rights granted under this clause 7 in accordance with this Agreement and otherwise to comply with its terms.

7.3. The parties hereto agree to use reasonable endeavours to enter into a deed of novation with Origin Data Realisation Limited to novate the Wordnet 3 Licence in favour of the Assignee or any subsequent Assignee within 28 days of this Agreement.

8 COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which so executed will be an original, but together will constitute one and the same instrument.

9 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

The parties to this Agreement do not intend that any of its terms will be enforceable by virtue of the Contracts (Rights of Third Parties) Act 1999 by any person not a party to it.

10 GOVERNING LAW AND JURISDICTION

10.1 The formation, existence, construction, performance, validity and all aspects whatsoever of this Agreement or of any term of this Agreement will be governed by the law of England and Wales.

10.2 The courts of England and Wales will have non-exclusive jurisdiction to settle any disputes that may arise out of or in connection with this Agreement. The parties irrevocably agree to submit to that jurisdiction.

AS WITNESS the hands of the parties or their duly authorised agents for and on behalf of the parties on the date stated at the beginning of this Agreement

Executed on behalf of)
THALES CONTACT SOLUTIONS)
LIMITED)
ASSIGNOR)
in the presence of:)

Director
Director/Secretary

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

Executed on behalf of)
THALES ELECTRONICS PLS)
ASSIGNOR)
in the presence of:)
Director

Director/Secretary

SCHEDULE 1

PART 1 - THE REGISTERED TRADE MARKS

Trademark	COUNTRY	APPLICATION NUMBER	APPLICATION DATE	REGISTRATION NUMBER	RENEWAL DATE
A-MUX LOGO	UK	2059568	5/3/96	2059568	5/3/06
CALLMASTER	Norway	912590	23/5/91	155604	11/3/03
	UK	1452564	9/1/91	1452564	9/1/08
GEOSTORE	UK	1007802	9/3/73	1007802	9/3/08
INVESTIGATOR	CTM	1832823	31/8/00	1832823	31/8/10
MIRRA	CTM	830786	21/5/98	830786	21/5/08
	USA	75/508202	25/6/98	2476967	14/8/11
RAPIDAX	USA	113149	7/11/90	1745086	5/1/03
	UK	1444906	22/10/90	1444906	22/10/07
RENAISSANCE	CTM	1307636	14/9/99	1307636	14/9/09
STOREHOUSE	UK	1140237	13/9/80	1140237	13/9/11
STOREMED	UK	1176989	18/6/82	1176989	18/6/03
STORENET	UK	1049140	7/7/75	1049140	7/7/06
STOREPLEX	France	92431479	24/8/92	92431479	24/8/02
	Germany	R52808/9 WZ	21/8/92	2051506	21/8/02
	USA	75/662730	18/3/99	2378956	22/8/10
	UK	1509634	14/8/92	1509634	14/8/09
TIENNA	CTM	1387570	18/11/99	1387570	18/11/09
TRUNKNET	CTM	1133156	9/4/99	1133156	9/4/09
WORDNET	France	9556446	24/3/95	9556446	24/3/05
	Germany	39512614	22/3/95	39512614	22/3/05

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

	USA	74/649882	20/3/95	2093445	2/9/07
	UK	2013801	10/3/95	2013801	10/3/05
WORDSAFE	Denmark	3542/91	2/10/92	9057/92	2/10/02
	Norway	912591	23/5/91	153406	26/11/02
	USA	107236	19/10/90	1745083	5/1/03
	UK	1439866	7/9/90	1439866	7/9/07

PART 2 - THE TRADE MARK APPLICATIONS

Trademark	COUNTRY	APPLICATION NUMBER	APPLICATION DATE	REGISTRATION NUMBER	RENEWAL DATE
BIG PICTURE TECHNOLOGY	CTM	2052991	24/1/01		
	USA	76/288370	20/7/01		
INVESTIGATOR	USA	76/149047	18/10/00		
RENAISSANCE	USA	75/837065	1/11/99		
TIENNA	USA	75/924305	22/02/00		
TRUNKNET	USA	75/698405	5/5/99		

PART 3 - DOMAIN NAME

SCHEDULE 2

THE PATENT APPLICATION

PATENT TITLE	REGISTERED OWNER	APPLICATION NUMBER	APPLICATION DATE	PUBLICATION NUMBER	PUBLICATION DATE	INVENTOR(S)
VOICE ACTIVITY MONITOR	Thales Contact Solutions	UK 9916430.3	13/7/99	GB 2352948	7/2/01	Neil Martin Crick

SCHEDULE 3

THE COPYRIGHT WORKS

COPYRIGHT & DESIGN RIGHTS IN SOFTWARE ITEMS REPRESENTED IN DESIGN DOCUMENTATION AND SOURCE CODE LISTINGS.

- Mirra Management Software

- Wordnet Series 1 operating software

- Wordnet Series 2 operating software (developed by Origin Data Realisation, IPR owned by TCSL)

- Tienna operating software (various releases leading to current release 7.0)

- CMSU Software (various releases leading to current release 7.0)

- RTT Replay to Turret Software (various releases leading to current release 7.0)

- RSMA Renaissance System Management Application (various releases leading to current release 7.0)

- Replay Server software (various releases leading to current release 7.0)

- SARA Search and Replay application

- SARA NG Search and Replay application

- RECO Radar and Voice Scenario Reconstruction Replay application

- Investigator Search and Replay application (various releases leading to current release 7.0 but only up to 4.1 in general release)

- Investigator RX (formerly Radio Replay) Scenario Reconstruction Replay application (various releases leading to current release 2.0)

- AQM Agent Quality Management application (various releases leading to current release 3.0 but only up to 2.2 in general release)

- Call Confirm & Last Message Replay - Last message Replay applications -both release 1.0

- MCC Media Control Centre application release 1.0

- Wordnet Vendor Object recorder control software for Prism Integration (developed by Cliffstone, IPR owned by TCSL)

- Renaissance Dashboard System Management application

- QA Recorder screen and voice recording application (developed by Cliffstone, IPR owned by TCSL)

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

- Smart Logger application (incomplete - developed by Cliffstone, IPR owned by TCSL)

- RecorderLink recorder integration software (various releases leading to current release 3.5)

- Web Replay Application (not released)

- Switch Decoder signal processing software (lengthy list of decoders for various telephone switches)

- Datax Converter software

- Reecoute Immediate software (version 1.9)

- Interface Servieur TCS software (version 1)

- Convertisseur Wave TCS software (version 1)

- Reecoute Immediate Software (Pocket PC) (version 1)

- Reecoute Immediate TCS PC software (version 1)

- Lien Centore 15 software (version 1)

- Lien Centore 15 software (version 2)

- Superviseur software

DATABASE DESIGN RIGHTS REPRESENTED IN DESIGN DOCUMENTATION

- Tracker database design rights (MicroSoft JET technology)

- Tienna database design rights (MicroSoft SQL Server technology)

- CMSU database design rights (MicroSoft SQL Server technology)

ARCHITECTURE DESIGN RIGHTS REPRESENTED IN DESIGN DOCUMENTATION

- Renaissance Architecture (various releases up to current release 7.0)

DATED 2002

THALES ELECTRONICS PLC

THALES CONTACT SOLUTIONS LIMITED

LICENCE

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

THIS AGREEMENT is made on 2002

BETWEEN

(1) THALES ELECTRONICS PLC (Registered No 497098) whose registered office is at Western Road, Bracknell, Berkshire RG12 1RG ("the Licensor")

(2) THALES CONTACT SOLUTIONS LIMITED (Registered No 560700) whose registered office is at Western Road, Bracknell, Berks RG12 1RG ("the Licensee")

1 DEFINITIONS

In this Agreement the following expressions have the following meanings unless inconsistent with the context:

"THE COMMENCEMENT DATE"	The date of this Agreement
"THE DOMAIN NAME"	The domain name identified in Part 3 of Schedule 1
"COPYRIGHT WORKS"	The works identified in SCHEDULE 3.
"INTELLECTUAL PROPERTY RIGHTS"	All intellectual property in any jurisdiction, whether registered, pending applications or unregistered, including without limitation: (a) all trade marks, service marks, brand names, certification marks, trade dress, business names and other indications of origin; (b) Patents; (c) trade secrets, know-how and other confidential or non-public business information, including ideas, manufacturing and production processes and techniques, research and development information, drawings, specifications, designs, source codes plans, proposals and technical data, business and marketing plans, market surveys, market know-how and customer lists and information; (d) writings and other copyright works, Including computer programs, source code, object code and documentation (whether or not

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

released), design right, architecture, database rights, and all copyrights, and any non-registered. Copyrights to any of the foregoing; (e) integrated circuit topographies and mask works; (f) Internet protocol addresses and networks, including domain names, e-mail addresses, world wide web (www) and http addresses, network names, network addresses and services; (g) privacy and publicity rights; and (h) all other intellectual property rights of a similar nature or having equivalent or similar effect to these which may subsist anywhere in the world

"THALES IPR ASSIGNMENT"	The agreement executed of even date between Thales Contact Solutions Limited (as assignor) and Thales Electronics Plc (as assignee).
"LICENSEE'S GROUP"	Means the Licensee and any holding company of the Licensee and any subsidiaries of such holding company, holding and subsidiary having the meanings given in the Companies Act 1985 of the United Kingdom.
"LICENSOR	IPR" All Intellectual Property Rights acquired by the Licensor under the Thales IPR Assignment including but not limited to the Trade Marks, the Patents, the Patent Applications and the copyright and any design rights in the Copyright Works, other than the assignment of the rights under the Wordnet 3 Licence.
"PATENTS"	Any and all patents, patent applications (including letters patent, industrial designs, and inventor's certificates), design registrations, invention disclosures, and applications to register industrial designs, and any and all rights to any of the foregoing anywhere in the world, including any provisionals, substitutions,

	extensions, supplementary protection certificates, re-examinations, reissues, renewals, divisions, continuations in part (or in whole), continued prosecution applications, requests for continued examination, and other similar filings or notices provided for under the laws of any country;
"PATENT APPLICATION"	The application for the grant of a patent particulars of which are contained in SCHEDULE 2
"REGISTERED TRADE MARKS"	The trade marks particulars of which are contained in PART 1 of SCHEDULE 1
"TRADE MARKS"	The Registered Trade Marks and the trade marks the subject of
	the Trade Mark Applications and the Domain Names "TRADE MARK APPLICATIONS" The trade mark applications, particulars of which are contained in Part 2 of Schedule 1
"WORDNET 3 LICENCE"	Means the Software Licence and Service Agreement dated 1st March 2002 between the Licensee and Origin Data Realisation Limited subsequently assigned to Thales Electronics plc under the Thales IPR Assignment.

2 PERMISSION TO USE

2.1 The Licensor grants to the Licensee during the Term of this Agreement a licence to use the Licensor IPR with the right to sub-license for the Term of such Licensor IPR to members of the Licensee's Group.

2.2 The Licensor grants to the Licensee during the Term of this Agreement a sub-licence of the Wordnet 3 Licence so far as the Licensor is permitted to do so under the terms of the Wordnet 3 Licence.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

3 CONSIDERATION

The Licensee shall pay the Licensor the sum of US$32,050 per week in arrears during the Term.

4 OWNERSHIP OF THE LICENSOR IPR

4.1 The Licensee acknowledges that the Licensor IPR are and will remain the property of the Licensor, and the Licensee shall not acquire any title or interest in the Licensor IPR or goodwill as a result of the Licensee's use of them.

4.2 The Licensee shall not do or permit to be done, nor omit to do in connection with its use of the Licensor IPR, any act or thing which would or might jeopardise or invalidate any registration of the Licensor IPR or which might prejudice the right or title of the Licensor to any of the Licensor IPR.

5 TERM AND TERMINATION

5.1 This Agreement comes into effect on the Commencement Date and unless terminated earlier under the provisions of this Agreement remains in force until termination by either party giving to the other not less than three months' prior written notice ("the Term"). The Licence in relation to each Licensor IPR shall only remain in force so long as each Licensor IPR subsists.

5.2 Either party may terminate this Agreement by notice in writing to the other if the other is in material breach of this Agreement and shall have failed (where the breach is capable of remedy) to remedy the breach within 30 days of the receipt of a request in writing from the party not in breach to remedy the breach, such request setting out the breach and indicating that failure to remedy the breach may result in termination of this Agreement.

5.3 In addition to the powers of termination contained elsewhere in this Agreement the Licensor shall be entitled to terminate this Agreement immediately by notice in writing to the Licensee on any of the following grounds:

5.3.1 the Licensee becomes the subject of voluntary arrangement under section 1 Insolvency Act 1986;

5.3.2 the Licensee is unable to pay its debts within the meaning of section 123 Insolvency Act 1986;

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

5.3.3 the Licensee has a receiver, manager, administrator or administrative receiver appointed over all or any parts of its undertaking, assets or income;

5.3.4 the Licensee has passed a resolution for its winding-up;

5.3.5 the Licensee has a petition presented to any court for its winding-up or for an administration order; or

5.3.6 an analogous event happens in any other jurisdiction.

6 CONSEQUENCES OF TERMINATION

The termination of this Agreement howsoever caused is without prejudice to the rights, duties and liabilities of either party accrued prior to termination. The clauses of this Agreement which expressly or impliedly have effect after termination will continue to be enforceable notwithstanding termination.

7 ASSIGNMENT

The Licensee may not assign the benefit or delegate the burden of this Agreement without the prior written consent of the Licensor which shall not be unreasonably withheld or delayed. The Licensor may assign this Agreement on disposing of the Licensor IPR without the consent of the Licensee.

8 GOVERNING LAW AND JURISDICTION

8.1 This Agreement is governed by, and shall be construed in accordance with English law.

8.2 The courts of England and Wales shall have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Agreement. The parties agree to submit to such jurisdiction.

9 COUNTERPARTS

This Agreement may be executed in any number of counterparts, and by the parties on separate counterparts, each of which so executed and delivered shall constitute an original, but all the counterparts shall together constitute one and the same instrument.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

AS WITNESS the hands of the parties or their duly authorised agents for and on behalf of the parties on the date stated at the beginning of this Agreement

Executed on behalf of	)
THALES ELECTRONICS PLC	)
LICENSOR	)
in the presence of:	)
	Director
	Director/Secretary

Executed on behalf of	)
THALES CONTACT SOLUTIONS	)
LIMITED	)
LICENSOR	)
in the presence of:	)
	Director
	Director/Secretary

Source: NICE SYSTEMS LTD, 20−F, June 26, 2003

SCHEDULE 1

PART 1 - THE REGISTERED TRADE MARKS

Trademark	COUNTRY	APPLICATION NUMBER	APPLICATION DATE	REGISTRATION NUMBER	RENEWAL DATE
A-MUX LOGO	UK	2059568	5/3/96	2059568	5/3/06
CALLMASTER	Norway	912590	23/5/91	155604	11/3/03
	UK	1452564	9/1/91	1452564	9/1/08
GEOSTORE	UK	1007802	9/3/73	1007802	9/3/08
INVESTIGATOR	CTM	1832823	31/8/00	1832823	31/8/10
MIRRA	CTM	830786	21/5/98	830786	21/5/08
	USA	75/508202	25/6/98	2476967	14/8/11
RAPIDAX	USA	113149	7/11/90	1745086	5/1/03
	UK	1444906	22/10/90	1444906	22/10/07
RENAISSANCE	CTM	1307636	14/9/99	1307636	14/9/09
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STOREMED	UK	1176989	18/6/82	1176989	18/6/03
STORENET	UK	1049140	7/7/75	1049140	7/7/06
STOREPLEX	France	92431479	24/8/92	92431479	24/8/02
	Germany	R52808/9 WZ	21/8/92	2051506	21/8/02
	USA	75/662730	18/3/99	2378956	22/8/10
	UK	1509634	14/8/92	1509634	14/8/09
TIENNA	CTM	1387570	18/11/99	1387570	18/11/09
TRUNKNET	CTM	1133156	9/4/99	1133156	9/4/09
WORDNET	France	9556446	24/3/95	9556446	24/3/05
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	UK	2013801	10/3/95	2013801	10/3/05
WORDSAFE	Denmark	3542/91	2/10/92	9057/92	2/10/02
	Norway	912591	23/5/91	153406	26/11/02
	USA	107236	19/10/90	1745083	5/1/03

Trademark	COUNTRY	APPLICATION NUMBER	APPLICATION DATE	REGISTRATION NUMBER	RENEWAL DATE
	UK	1439866	7/9/90	1439866	7/9/07

PART 2 - THE REGISTERED TRADE MARK APPLICATIONS

Trademark	COUNTRY	APPLICATION NUMBER	APPLICATION DATE	REGISTRATION NUMBER	RENEWAL DATE
BIG PICTURE TECHNOLOGY	CTM	2052991	24/1/01		
	USA	76/288370	20/7/01		
INVESTIGATOR	USA	76/149047	18/10/00		
RENAISSANCE	USA	75/837065	1/11/99		
TIENNA	USA	75/924305	22/02/00		
TRUNKNET	USA	75/698405	5/5/99		

PART 3 - DOMAIN NAME

bigpictech.com

SCHEDULE 2

THE PATENT APPLICATION

PATENT TITLE	REGISTERED OWNER	APPLICATION NUMBER	APPLICATION DATE	PUBLICATION NUMBER	PUBLICATION DATE	INVENTOR(S)
VOICE ACTIVITY MONITOR	Thales Contact Solutions	UK 9916430.3	13/7/99	GB 2352948	7/2/01	Neil Martin Crick

SCHEDULE 3

THE COPYRIGHT WORKS

COPYRIGHT & DESIGN RIGHTS IN SOFTWARE ITEMS REPRESENTED IN DESIGN DOCUMENTATION AND SOURCE CODE LISTINGS.

- Mirra Management Software

- Wordnet Series 1 operating software

- Wordnet Series 2 operating software (developed by Origin Data Realisation, IPR owned by TCSL)

- Tienna operating software (various releases leading to current release 7.0)

- CMSU Software (various releases leading to current release 7.0)

- RTT Replay to Turret Software (various releases leading to current release 7.0)

- RSMA Renaissance System Management Application (various releases leading to current release 7.0)

- Replay Server software (various releases leading to current release 7.0)

- SARA Search and Replay application

- SARA NG Search and Replay application

- RECO Radar and Voice Scenario Reconstruction Replay application

- Investigator Search and Replay application (various releases leading to current release 7.0 but only up to 4.1 in general release)

- Investigator RX (formerly Radio Replay) Scenario Reconstruction Replay application (various releases leading to current release 2.0)

- AQM Agent Quality Management application (various releases leading to current release 3.0 but only up to 2.2 in general release)

- Call Confirm & Last Message Replay - Last message Replay applications -both release 1.0

- MCC Media Control Centre application release 1.0

- Wordnet Vendor Object recorder control software for Prism Integration (developed by Cliffstone, IPR owned by TCSL)

- Renaissance Dashboard System Management application

- QA Recorder screen and voice recording application (developed by Cliffstone, IPR owned by TCSL)

- Smart Logger application (incomplete - developed by Cliffstone, IPR owned by TCSL)

- RecorderLink recorder integration software (various releases leading to current release 3.5)

- Web Replay Application (not released)

- Switch Decoder signal processing software (lengthy list of decoders for various telephone switches)

- Datax Converter software

- Reecoute Immediate software (version 1.9)

- Interface Servieur TCS software (version 1)

- Convertisseur Wave TCS software (version 1)

- Reecoute Immediate Software (Pocket PC) (version 1)

- Reecoute Immediate TCS PC software (version 1)

- Lien Centore 15 software (version 1)

- Lien Centore 15 software (version 2)

- Superviseur software

DATABASE DESIGN RIGHTS REPRESENTED IN DESIGN DOCUMENTATION

- Tracker database design rights (MicroSoft JET technology)

- Tienna database design rights (MicroSoft SQL Server technology)

- CMSU database design rights (MicroSoft SQL Server technology)

ARCHITECTURE DESIGN RIGHTS REPRESENTED IN DESIGN DOCUMENTATION

- Renaissance Architecture (various releases up to current release 7.0)

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

DATED 2002

THALES ELECTRONICS PLC

NIGHT

TRADER SA

ASSIGNMENT OF INTELLECTUAL PROPERTY RIGHTS

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

THIS AGREEMENT is made on 2002

BETWEEN

(1) THALES ELECTRONICS PLC (registered number 560700) whose registered office is at Western Road, Bracknell, Berks RG12 1RG (the "Assignor"); and

(2) NIGHT [(registered number)] whose registered office is at (the "Assignee"); and

(3) THALES SA a French societe anonyme having its registered office at 173, Boulevard Haussmann, Paris (75008) ("Thales").

BACKGROUND

(A) The Assignor is the proprietor of the Assignor IPR assigned to it and has rights under the Wordnet 3 Licence (subject to certain obligations) pursuant to an Agreement dated [ ] with Thales Contact Solutions Limited attached at Schedule 1 ("the Thales IPR Assignment").

(B) By an Agreement dated [ ] the Assignor has licensed the Assignor IPR and granted a sub-licence to the extent possible of the Wordnet 3 Licence to Thales Contact Solutions Limited ("the IPR Licence").

(C) Thales has granted patent licences over all group patents, including the Patent Application, to Alcatel and Thomson Multimedia ("Cross Patents Licence Agreements").

(D) By an Agreement dated [ ] ("the SPA") between Thales, Night and other purchasers, Thales has agreed to procure that the Assignor assigns the Assignor IPR and the rights under the Wordnet 3 Licence to the Assignee on the terms and conditions set out below subject to the terms and conditions of the SPA.

1 INTERPRETATION

All defined terms (except for Assignor, Assignee and Thales, which shall have the meanings set out in this Agreement) shall have the meanings set out in the Thales IPR Assignment.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

2 CONSIDERATION

In consideration of the sum of US$4,000,000 (four million US dollars) paid by the Assignee to the Assignor, receipt of which the Assignor hereby acknowledges, the Assignor hereby enters into the terms of this Agreement.

3 ASSIGNMENT

The Assignor assigns to the Assignee all such right, title and interest as it acquired in the Assignor IPR and the rights under the Wordnet 3 Licence subject to the obligations in clause 7 of the Thales IPR Assignment under the Thales IPR Assignment subject to the IPR Licence and the Cross Patents Licence Agreements. The Assignor also assigns the right to sue for infringements of the Assignor IPR which have occurred since the Thales IPR Assignment and to retain any damages obtained as a result of such action.

4 FURTHER ASSURANCE

4.1 The Assignor agrees at its own expense to execute such further documents, and take such actions and do such things (including, without limitation, co-operating with the Assignee to enable the Assignee, at Assignee's cost promptly to record itself as the registered proprietor of any registered rights transferred to it under this Agreement), as may be reasonably requested by the Assignee to give full effect to the terms of this Agreement and to secure the full right, title and interest of the Assignee in the Assignor IPR.

4.2 The parties hereto agree to use reasonable endeavours to enter into a deed of novation with Origin Data Realisation Limited to novate the Wordnet 3 Licence in favour of the Assignee within 28 days of this Agreement.

5 REGISTRATION

Assignee shall, at its cost, promptly record itself as registered proprietor of any registered rights transferred to it under this Agreement.

6 REMEDIES

The Assignee agrees that if it has any claim for breach of this Agreement against either the Assignor and/or Thales then to the extent that such claim is

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

capable of being the subject of a claim against Thales under the SPA, it shall bring such claim solely against Thales under the SPA and not against the Assignor and/or Thales under this Agreement.

7 COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which so executed will be an original, but together will constitute one and the same instrument.

8 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

The parties to this Agreement do not intend that any of its terms will be enforceable by virtue of the Contracts (Rights of Third Parties) Act 1999 by any person not a party to it.

9 GOVERNING LAW AND JURISDICTION

9.1 The formation, existence, construction, performance, validity and all aspects whatsoever of this Agreement or of any term of this Agreement will be governed by the law of England and Wales.

9.2 The courts of England and Wales will have non-exclusive jurisdiction to settle any disputes that may arise out of or in connection with this Agreement. The parties irrevocably agree to submit to that jurisdiction.

AS WITNESS the hands of the parties or their duly authorised agents for and on behalf of the parties on the date stated at the beginning of this Agreement

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

Executed on behalf of	)
THALES ELECTRONICS PLC	)
ASSIGNOR	)
in the presence of:	)

Director

Director/Secretary

Executed on behalf of	)
NIGHT	)
ASSIGNEE	)
in the presence of:	)

Director

Director/Secretary

Executed on behalf of	)
THALES SA	)
in the presence of:	)

Director

Director/Secretary

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

DATED 2002

THALES CONTACT SOLUTIONS LIMITED

[UK Acquisition Co]

THALES ELECTRONICS PLC

DEED OF NOVATION

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

THIS DEED OF NOVATION is made on the day of 2002

BETWEEN

(1) THALES CONTACT SOLUTIONS LIMITED (Registered Number 560700) whose registered office address is at Western Road, Bracknell, Berks RG12 1RG ("the Assignor")

(2) [UK Acquisition Co] (Registered Number [NUMBER]) whose registered office is at [ADDRESS] ("the Assignee")

(3) THALES ELECTRONICS PLC (registered number 497098)] whose registered office is at Western Road, Bracknell, Berkshire RG12 1RG ("the Third Party")

BACKGROUND

(A) This novation deed is supplemental to a licence agreement between the Assignor and the Third Party dated [DATE] attached at Schedule 1 ("the IPR Licence") under which the Third Party granted the Assignor a licence to use Licensor IPR (as defined in the IPR Licence).

(B) The Assignor has transferred its business to the Assignee pursuant to a Sale and Purchase Agreement of even date ("SPA") and the Third Party is assigning the Licensor IPR and the rights under the Wordnet 3 Licence (as defined in the IPR Licence)to the Assignee's holding company.

(C) The Assignor wishes to be released from the IPR Licence and the Third Party agrees to release the Assignor in consideration of the Assignee's undertaking to perform the IPR Licence and to be bound in place of the Assignor.

OPERATIVE PROVISIONS

1 The Assignee undertakes to the Third Party to perform from the date of this Deed obligations on the Assignor's part contained in the IPR Licence and to be bound by the terms of the IPR Licence in every way as if the Assignee were a party to the IPR Licence from the date of this Deed instead of the Assignor.

2 In consideration of the undertaking of the Assignee in CLAUSE 1 and with the consent of the Third Party, the Assignor assigns all its rights (including without limitation any present, future or contingent interest or right to any sums or damages payable under or in connection with the IPR Licence) from the date of this Deed under the IPR Licence to the Assignee.

3 In consideration of the Assignor procuring the undertaking of the Assignee in CLAUSE 1, the Third Party releases and discharges the Assignor from all claims, obligations, demands and duties whatsoever in respect of the IPR Licence accruing from the date of this Deed and accepts the liability of the Assignee upon the IPR Licence instead of the liability of the Assignor for all claims, obligations, demands and duties accruing on or after the date of this Deed under the IPR Licence.

4 The Third Party undertakes with the Assignee to perform its liabilities and obligations under the IPR Licence as if the Assignee had at all times been party to the IPR Licence instead of the Assignor and acknowledges that the Assignee shall be entitled to enjoy the benefit of the IPR Licence instead of the Assignor.

5 The formation, existence, construction, performance, validity and all aspects whatsoever of this Deed or of any term of this Deed shall be governed by English law. The English courts shall have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Deed. The parties to this Deed agree to submit to that jurisdiction.

6 To the extent provided for in Clause 6 of the SPA, the Assignee agrees to indemnify, keep indemnified and hold harmless the Assignor from and against all costs (including the costs of enforcement), expenses, liabilities (including any tax liability), injuries, losses (which includes, without limitation, direct, indirect and consequential loss and loss of profit), damages, claims, demands, proceedings or legal costs (on a full indemnity basis) and judgments which the Assignor incurs or suffers as a consequence of a direct or indirect breach or negligent performance or failure in performance by the Assignee of the terms of the IPR Licence from the date of this Deed or of this Deed.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

7 The parties to this Deed do not intend that any of its terms will be enforceable by virtue of the Contracts (Rights of Third Parties) Act 1999 by any person not a party to it.

8 This Agreement may be executed in any number of counterparts, each of which so executed will be an original, but together will constitute one and the same instrument.

This document has been executed and delivered as a deed on the date stated at the beginning of this Deed.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

THE COMMON SEAL of)
THALES CONTACT SOLUTIONS)
LIMITED)
was affixed in the presence of:)

Director:

Director/Secretary:

THE COMMON SEAL of)
[UK Acquisition Co])
was affixed in the presence of:)

Director:

Director/Secretary:

THE COMMON SEAL of)
THALES ELECTRONICS PLC)
was affixed in the presence of:)

Director:

Director/Secretary:

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

SCHEDULE 15

US BUSINESS TRANSFER AGREEMENT

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "AGREEMENT") is entered into as of ______________, _____,[COMPLETION DATE] by and among Trader SA, a French societe anonyme having its registered office at 173 Boulevard Haussmann, Paris, France (75008) ("TRADER"), Trader TRC, Inc., a Delaware corporation and indirect wholly-owned subsidiary of Trader ("TRC"), Trader Contact Solutions Inc., a Delaware corporation and wholly-owned subsidiary of TRC ("ASSIGNOR"), Night-Systems Ltd., a company organized under the laws of Israel having its registered office at 8 Hapnina Street, Ra'anana 43107, Israel ("NIGHT"), and [Night/Trader US Acquisition Corp.], a [Delaware] corporation and wholly-owned subsidiary of Night ("ASSIGNEE") .

W I T N E S S E T H

WHEREAS, Trader, through certain of its wholly owned subsidiaries, is engaged, among other things, in the business of the design, development, production, marketing and supply of various secure voice recording, surveillance and replay systems and products and application software for business performance management solutions in contact centres, public safety and wholesale trading platforms and the provision of ancillary services currently carried on by the Assignors (the "BUSINESS");

WHEREAS, Trader has agreed to sell, or procure the sale of, and Night has agreed to purchase, substantially all of the assets of the Business, either directly or through one or more of its subsidiaries;

WHEREAS, Trader, Night, Assignee and certain of Night's other subsidiaries (Night, Assignee and such other subsidiaries being collectively referred to herein as the "PURCHASERS") have entered into that certain Sale and Purchase Agreement dated as of ______________ __, 2002 (the "SALE AND PURCHASE AGREEMENT") providing, subject to the terms and conditions set forth therein, for the sale, transfer, assignment and delivery by Trader to the Purchasers of the Business as a going concern and the Assets (each as defined in the Sale and Purchase Agreement);

WHEREAS, pursuant to Section 5.4.4 of the Sale and Purchase Agreement, Trader has agreed to cause Assignor to sell to Assignee, and Assignee has agreed to purchase from Assignor, that part of the Business operated as a going concern by Assignor and all the Assets used in that part of the Business by Assignor (the "US BUSINESS");

WHEREAS, pursuant to Section 6.2.4 of the Sale and Purchase Agreement, Assignee has agreed to assume that portion of the Assumed Liabilities (as defined in the Sale and Purchase Agreement) as relates to the US Business (the "US BUSINESS ASSUMED LIABILITIES"); and

WHEREAS, Assignor is entering into this Agreement for the purpose of assigning and transferring to Assignee all of Assignor's rights, liabilities and obligations in and relating to the US Business pursuant to Section 5.4.4 of the Sale and Purchase Agreement; and

WHEREAS, Assignee is executing and delivering this Agreement for the purpose of assuming the US Business Assumed Liabilities pursuant to Section 6.2.4 of the Sale and Purchase Agreement.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

NOW, THEREFORE, in consideration of the premises and of the mutual representations, warranties and agreements contained herein and in the Sale and Purchase Agreement, the parties hereto agree as follows:

1. DEFINITIONS. Capitalized terms used herein and not otherwise defined herein shall have the respective meanings assigned to them in the Sale and Purchase Agreement.

2. ASSIGNMENT. Assignor, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby sells, transfers, conveys, assigns and delivers to Assignee all of Assignor's right, title, and interest in, to or under all of the Assets constituting the US Business that are owned or held by them, including, without limitation, each of the following as they relate to or comprise the US Business: the Goodwill and any other intangible assets included as part of the Assets of the US Business, the benefit of the Contracts, all of the rights against third parties (including, without limitation, all rights in connection with such third party guarantees, warranties, indemnities, restrictive covenants, confidentiality obligations and representations and all rights of action of whatever kind whether or not any proceedings have commenced) with respect to the US Business, the Accounts Receivable, the Business Information, the Records, and all other property rights and all other assets of whatsoever nature of any member of the Trader Group used exclusively in relation to the US Business.

3. ASSUMPTION. Assignee hereby accepts such assignment and assumes and agrees to perform any and all of the US Business Assumed Liabilities from and after the Completion Date, subject to the terms and conditions of the Sale and Purchase Agreement. Except for the US Business Assumed Liabilities, Assignee is not assuming any liabilities or obligations of Assignor or any of Assignor's affiliates or of the Business of any kind, character or description, whether known, unknown, accrued, absolute, contingent or otherwise and, except as otherwise contemplated by the Sale and Purchase Agreement, Assignor and its affiliates shall continue to be responsible for all such liabilities and obligations other than the US Business Assumed Liabilities from and after the Completion Date.

4. BINDING AGREEMENT; AMENDMENTS. This Agreement shall be binding on each of the parties and their respective heirs, representatives, successors and assigns. This Agreement may not be modified except by an instrument in writing which is signed by each of the parties.

5. GOVERNING LAW. This Agreement, including all matters of construction, validity and performance, shall in all respects be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts made in such State and to be performed entirely within such State, without giving effect to principles relating to conflicts of law.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

6. FURTHER ASSURANCES. Each of Assignor, TRC and Trader hereby covenants and agrees that, from time to time at Assignee's or Night's request after delivery of this Agreement and without further consideration, Assignor, TRC and/or Trader, as the case may be, will do, execute, acknowledge and deliver, or will cause to be done, executed, acknowledged and delivered, all and any such further acts, conveyances, transfers, assignments, instruments and assurances as may be reasonably required to effectively grant, convey, assign, transfer and set over to and vest in Assignee any and all of the Assets of the US Business.

7. OTHER AGREEMENTS PREVAIL. Assignor and Assignee hereby acknowledge and agree that neither the representations and warranties nor the rights or remedies of any party under the Sale and Purchase Agreement shall be deemed to be enlarged, modified or altered in any way by this Agreement. In the event of a conflict between the terms of this Agreement and the terms of the Sale and Purchase Agreement, the terms of the Sale and Purchase Agreement shall prevail.

8. COUNTERPARTS. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

[signature page follows]

Source: NICE SYSTEMS LTD, 20−F, June 26, 2003

IN WITNESS WHEREOF, this Assignment and Assumption Agreement has been duly executed as of the date first above written.

ASSIGNOR:
TRADER CONTACT SOLUTIONS INC.

By: ______________________________

Name:

Title:

ASSIGNEE:
[NIGHT/TRADER US ACQUISITION CORP.]

By: ______________________________

Name:

Title:

ACKNOWLEDGED AND AGREED:

TRADER SA

By: ______________________________

Name:

Title:

TRADER TRC, INC.

By: ______________________________

Name:

Title:

ACKNOWLEDGED AND AGREED:

NIGHT SYSTEMS LTD.

By: ______________________________

Name:

Title:

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

BILL OF SALE

KNOW ALL MEN BY THESE PRESENTS, that TRADER CONTACT SOLUTIONS INC. ("SELLER"), a Delaware corporation and wholly-owned subsidiary of TRADER TRC, INC. ("TRC"), which is itself a Delaware corporation and an indirect wholly-owned subsidiary of TRADER SA, a French societe anonyme having its registered office at 173 Boulevard Haussmann, Paris, France (75008)("TRADER"), for good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, and intending to be legally bound, does hereby sell, transfer, convey, set over and deliver to [Night/Trader US Acquisition Corp.] ("BUYER"), its successors and assigns, all of Seller's right, title and interest in and to the Assets comprising the US Business (capitalized terms used, but not defined in this bill of sale having the meanings ascribed thereto in that certain Sale and Purchase Agreement dated as of ______________ __, 2002 by and among Seller, Buyer, Trader, Night-Systems Ltd, a company organized under the laws of Israel having its registered office at 8 Hapnina Street, Ra'anana, Israel ("NIGHT") and certain other subsidiaries of Night (the "SALE AND PURCHASE AGREEMENT")), including, without limitation, to the extent related to or comprising the US Business, the Machinery and Equipment, the Fixtures and Fittings, the Inventory and all other property rights and all other assets of whatsoever nature used exclusively in relation to the Business.

Seller hereby constitutes and appoints Buyer the true and lawful attorney of Seller, with full authority and power of substitution, in the name and stead of Seller, but on behalf and for the benefit of Buyer to demand and receive any and all of such Assets, to give receipts and releases for and in respect of the same, or any part thereof, and to execute on behalf of Seller additional instruments of transfer and assignment and do all acts and things in relation to such Assets which Buyer or Night shall deem reasonably required in order to transfer and assign to and vest in Buyer full right and title to and in all of such Assets.

Seller hereby covenants that from time to time and at Buyer's request and without further consideration, Seller shall do, execute, acknowledge and deliver or shall cause to be done, executed, acknowledged and delivered all and every such further acts, transfers, conveyances, assignments, powers of attorney and assurances as reasonably may be required for assuring, conveying, transferring, confirming and vesting unto Buyer of any of such Assets.

Nothing in this instrument, express or implied, is intended or shall be construed to confer upon, or give to, any person, firm or corporation other than Buyer and its successors and assigns, any remedy or claim under or by reason of this instrument or by any of its terms, covenants or conditions, and all the terms, covenants and conditions, promises and agreements in this instrument contained shall be for the sole and exclusive benefit of Buyer, its successors and assigns.

[signature page follows]

IN WITNESS WHEREOF, the undersigned have executed this Bill of Sale on this _____ day of ___________________, ____.

TRADER CONTACT SOLUTIONS INC.

By:_____________________________

Name:

Title:

STOCK AND PROMISSORY NOTE PURCHASE AGREEMENT

This STOCK AND PROMISSORY NOTE PURCHASE AGREEMENT (the "Agreement"), dated as of __________ __, ___________ (the "Effective Date"), by and between Trader TRC Inc., a corporation organized under the laws of the State of Delaware ("Seller") and [Night-Systems Ltd., a company organized under the laws of Israel ("Purchaser")]

WHEREAS, Seller is the record owner of Three Million Three Hundred Fifty-Six Thousand, Three Hundred Thirty-Five (3,356,335) shares of Series C Convertible Preferred Stock, par value $1.00 per share (the "Cliffstone Shares"), of Cliffstone Corporation ("Cliffstone");

WHEREAS, Seller is a party to that certain Credit Agreement dated as of September 10, 2001 between Cliffstone, as Borrower, and Seller, as Lender, as amended by that certain First Amendment to Credit Agreement dated as of March 12, 2002 (the "Credit Agreement") and Seller is the holder and record owner of a senior secured convertible promissory note, dated [March 12, 2002], in the aggregate principal amount of One Million Five Hundred Thousand United States Dollars (US$ 1,500,000) issued under the Credit Agreement by Cliffstone in favor of Seller (the "Cliffstone Note");

WHEREAS, Trader SA, a French societe anonyme having its registered office at 173 Boulevard Haussmann, Paris, France (75008) and the parent entity of Seller ("Trader"), Purchaser, and certain of Purchaser's subsidiaries have entered into that certain Sale and Purchase Agreement dated as of ______________ __, 2002 (the "Sale and Purchase Agreement") providing, subject to the terms and conditions set forth therein, for the sale, transfer, assignment and delivery by Trader to Purchaser and its subsidiaries of the Business and Assets described therein;

WHEREAS, pursuant to Section 4 of the Sale and Purchase Agreement, Trader has agreed to cause Seller to sell to Purchaser, and Purchaser has agreed to purchase from Seller, the Cliffstone Shares and the Cliffstone Note;

WHEREAS, Seller is entering into this Agreement for the purpose of selling, assigning and transferring to Purchaser all of Seller's right, title and interest in and to the Cliffstone Shares and the Cliffstone Note as contemplated by the Sale and Purchase Agreement; and

WHEREAS, Seller desires to sell to Purchaser, and Purchaser desires to purchase from Seller, subject to the terms and conditions set forth herein and in the Sale and Purchase Agreement, all of the Cliffstone Shares and the Cliffstone Note for the consideration set forth in the Sale and Purchase Agreement.

NOW, THEREFORE, in consideration of the foregoing and of the mutual promises, covenants and conditions contained herein and in the Sale and Purchase Agreement (including the purchase price set forth in Section 7 of the Sale and Purchase Agreement), the parties hereto, intending to be legally bound, hereby agree as follows:

SECTION 1. PURCHASE AND SALE OF THE CLIFFSTONE SHARES. Subject to the terms and conditions set forth herein, Purchaser hereby agrees to purchase from Seller, and Seller hereby agrees to sell, transfer and assign to Purchaser, all of Seller's right, title and interest in and to the Cliffstone Shares for a portion of the purchase price set forth in Section 7 of the Sale and Purchase Agreement, payable and allocable as provided for in the Sale and Purchase Agreement.

SECTION 2. PURCHASE AND SALE OF THE CLIFFSTONE NOTE. Subject to the terms and conditions set forth herein, Purchaser hereby agrees to purchase from Seller, and Seller hereby agrees to sell, transfer and assign to Purchaser, all of Seller's right, title and interest in and to the Cliffstone Note for a portion of the purchase price set forth in Section 7 of the Sale and Purchase Agreement, payable and allocable as provided for in the Sale and Purchase Agreement.

SECTION 3. CLOSING. Upon the terms and subject to the conditions set forth herein, the consummation of the purchase and sale of the Cliffstone Shares and the Cliffstone Note (the "Closing") shall occur simultaneously with, and at the same location as, the completion of the transactions contemplated by the Sale and Purchase Agreement. At the Closing, Seller shall deliver to Purchaser stock certificates of Cliffstone (the "Certificates"), duly endorsed in blank or accompanied by a stock power duly endorsed in blank and in proper form for transfer, representing the Cliffstone Shares, together with the original, manually executed copy of the Cliffstone Note, also duly endorsed and in proper form for transfer to Purchaser.

SECTION 4. REPRESENTATIONS AND WARRANTIES OF SELLER. Seller hereby represents and warrants to Purchaser as follows:

4.1 BINDING EFFECT. This Agreement has been duly executed and delivered by Seller and constitutes the legal, valid and binding obligation of Seller enforceable against Seller in accordance with its terms except as such enforceability may be limited by (a) bankruptcy, insolvency, moratorium, reorganization and other laws affecting creditors' rights generally, and (b) general principles of equity, regardless of whether asserted in a proceeding in equity or at law.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

4.2 OWNERSHIP OF THE SELLER SHARES. Seller has good and valid title to the Cliffstone Shares and the Cliffstone Note free and clear of all liens, charges, claims or encumbrances that may have been created by Seller. To the best of Seller's knowledge, there are no outstanding or authorized options, warrants, rights, calls, commitments, conversion rights, rights of exchange or other agreements of any character, contingent or otherwise, providing for the purchase, issuance or sale of any of the Cliffstone Shares, or any arrangements that require or permit any Cliffstone Shares to be voted by or at the discretion of anyone other than Seller, and there are no restrictions of any kind on the transfer of the Cliffstone Shares other than (a) restrictions on transfer set forth in that certain Investor Rights Agreement, dated as of August 21, 2000, as amended by Amendment No. 2 thereto, dated as of September 10, 2001 (as so amended, the "Investor Rights Agreement"), (b) restrictions on transfer imposed by the Securities Act of 1933, as amended (the "1933 Act"); and (c) restrictions on transfer imposed by applicable state securities or "Blue Sky" laws.

4.3 NO REQUIRED CONSENTS. Seller has obtained all consents and approvals required with respect to the transfer of the Cliffstone Shares and the Cliffstone Note to Purchaser as contemplated by this Agreement, including, without limitation, any consents or approvals required under the terms and conditions of the Investor Rights Agreement, the Credit Agreement or the Cliffstone Note, and the Seller has otherwise complied in all respects with its obligations under the Investor Rights Agreement in connection with the sale of the Cliffstone Shares to Purchaser and under the Credit Agreement in connection with the sale of the Cliffstone Note to Purchaser.

4.4 NO FURTHER REPRESENTATIONS OR WARRANTIES. Seller makes no representations or warranties except as expressly set forth herein.

SECTION 5. REPRESENTATIONS AND WARRANTIES OF PURCHASER. Purchaser hereby represents and warrants to Seller as follows:

5.1 BINDING EFFECT. This Agreement has been duly executed and delivered by Purchaser and constitutes the legal, valid and binding obligation of Purchaser enforceable against Purchaser in accordance with its terms except as such enforceability may be limited by (a) bankruptcy, insolvency, moratorium, reorganization and other laws affecting creditors' rights generally and (b) general principles of equity, regardless of whether asserted in a proceeding in equity or at law.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

5.2 INVESTMENT REPRESENTATIONS. Purchaser acknowledges, represents and warrants to Seller as follows:

(a) Purchaser acknowledges that neither the Cliffstone Shares nor the Cliffstone Note have been registered under the 1933 Act or other applicable federal or state statutes regulating the purchase and sale of securities.

(b) Purchaser is acquiring the Cliffstone Shares and the Cliffstone Note solely for its own account for the purpose of investment and not as a nominee or agent for any other person and not with a view to, or for offer or sale in connection with, any distribution thereof.

SECTION 6. INDEMNIFICATION.

6.1 Seller shall indemnify and hold harmless Purchaser, and its respective heirs, agents, assigns, affiliates, successors and personal representatives, from and against any and all damages, losses, obligations, claims, actions or causes of action, encumbrances, costs, expenses (including reasonable attorneys' fees incurred by Purchaser in any action or proceeding between Seller and Purchaser) or other liabilities of any kind or nature (collectively, "Damages") arising from the breach by Seller of any representation, warranty or agreement made by Seller hereunder.

6.2 Purchaser shall indemnify and hold harmless Seller, its officers, directors, stockholders, affiliates and their respective heirs, agents, assigns, affiliates, successors and personal representatives from and against any and all Damages arising from the breach by Purchaser of any representation, warranty or agreement made by Purchaser hereunder.

6.3 The indemnification provisions set forth herein shall be the exclusive remedy any party may have with respect to any and all Damages arising out of the transactions contemplated by this Agreement.

SECTION 7. ADDITIONAL TERMS.

7.1 The representations, warranties, and agreements of Purchaser and Seller contained herein shall survive the Effective Date without limit.

7.2 Neither party shall issue any press release or make any public announcement relating to the subject matter of this Agreement prior to the Closing without the prior written approval of the other party; PROVIDED, HOWEVER, that any

party may make any public disclosure it believes in good faith, and upon the advice of counsel, is required by applicable law (in which case the disclosing party will advise the other party prior to making the disclosure and the wording of such disclosure shall be mutually agreed to by the parties).

7.3. Each of Seller and Purchaser will bear its own costs and expenses (including legal fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby.

7.4 This Agreement (a) together with the Sale and Purchase Agreement and the other agreements contemplated thereby, incorporates the entire understanding and agreement of the parties and supersedes all previous agreements and/or discussions between Purchaser and Seller solely with respect to the subject matter hereof; (b) may not be amended or modified except in a writing executed by Purchaser and Seller; and (c) shall be governed by, construed and enforced in accordance with the laws of the State of New York, without giving effect to such State's conflict of laws principles.

7.5 In any action or proceeding arising out of, related to, or in connection with this Agreement, the parties consent to be subject to the jurisdiction and venue of (a) the courts of the State of New York, and (b) the United States District Court for the Southern District of New York. Each of the parties consents to the service of process in any action commenced hereunder by certified or registered mail, return receipt requested, or by any other method or service acceptable under federal law or the laws of the State of New York.

7.6 This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same document.

7.7 This Agreement shall be binding upon and shall inure to the benefit of, the parties hereto and their respective successors and permitted assigns.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

IN WITNESS WHEREOF, the parties hereto intending to be legally bound hereby, have duly executed this Agreement as of the date first-above written.

SELLER:

TRADER TRC INC.

By: __________________________

Name:

Title:

PURCHASER:

NIGHT-SYSTEMS LTD.

By: __________________________

Name:

Title:

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

SCHEDULE 16

FRENCH BUSINESS TRANSFER AGREEMENT

SUMMARY OF FRENCH BUSINESS TRANSFER AGREEMENT

Agreement between:

Thales Contact Solutions SA(Seller)
and
NICE Systems SARL(Buyer)

The agreement covers the transfer by Seller to Buyer of all of the assets relating to the voice recording business of Seller in France including customers, material,equipment ,contracts, etc. Buyer undertakes all of the employment agreements with the Seller employees, the sub lease for Seller's premises and receivables and payables relating to the transferred assets. The agreement includes standard representations by TCS for the period commencing April 2001, prior to which they did not own the business.
The agreement is subject to French Law.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

(NOT USED)

SCHEDULE 17

GERMAN BUSINESS TRANSFER AGREEMENT

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

ASSET PURCHASE AGREEMENT

(hereinafter referred to as the "Agreement")

Between

Trader Contact Solutions GmbH

Technologie Park Bergisch Gladbach

Friedrich-Ebert-Strasse

51429 Bergisch Gladbach

AG Bergisch Gladbach HRB No. 5492

(hereinafter referred to as the "Seller")

duly represented by its managing director Clifford Francis Tomaszewski, with power to represent the Seller on his own

and

[German Purchaser]

(hereinafter referred to as the "Purchaser")

duly represented by its managing director [________], with power to represent the Purchaser on his own.

The managing director of the Seller is authorised to effect the transaction contemplated in this Agreement by means of a shareholder resolution dated [___], a certified copy of which is attached to Schedule [____] of the Sale and Purchase Agreement.

SECTION 1

PARTIES

1. The Seller is a limited liability company, incorporated under the laws of the Federal Republic of Germany, registered in the Commercial Register of Bergisch Gladbach under company registration number HRB 5429.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

2. The Purchaser is registered at [ ].

SECTION 2

GENERAL DESCRIPTION OF THE SUBJECT MATTER OF THIS AGREEMENT

1. The Seller intends to sell and to transfer its entire business as a going concern pursuant to the provisions of this Agreement to the Purchaser. For the purposes of the Agreement, the business shall mean the complete operations of the Seller, namely the business of the design, development, production, marketing and supply of various secure voice recording, surveillance and replay systems and products and application software for business performance management solutions in contact centres, public safety and wholesale trading platforms and the provision of ancillary services carried on by the Seller as at Completion Date (hereafter "the Business").

2. The Seller and the Purchaser refer to the Sale and Purchase Agreement dated [___] between [TRADER SA and NIGHT] to which this Agreement has been attached. Unless specifically addressed in this Agreement, any provisions of the Sale and Purchase Agreement shall apply (with the necessary changes having been made) to the sale of the Business hereunder. The Sale and Purchase Agreement is – for this purpose – incorporated into this Agreement. 3. The effectiveness of this Agreement and the stipulations herein shall be subject to the Conditions as stipulated in the Sale and Purchase Agreement, in particular as outlined in clause 2 of the Sale and Purchase Agreement. Terms with capital letters shall, unless specified expressively herein, have the meaning as defined in the Sale and Purchase Agreement.

SECTION 3

SALE

1. The Seller hereby sells as of the Completion Date and under the terms and conditions of the Sale and Purchase Agreement (and therefore under English law) to the Purchaser the Business as a going concern, in particular:

(1) the Machinery and Equipment, in particular, but not exclusively, as listed in EXHIBIT [____];

(2) the Fixtures and Fittings in particular, but not exclusively, as listed in EXHIBIT [____];

(3) the Inventory in particular, but not exclusively, as listed in EXHIBIT [____];

(4) the Goodwill and any other intangible assets in particular, but not exclusively, as listed in EXHIBIT [____];

(5) the benefit of the Contracts in particular, but not exclusively, as listed in EXHIBIT [____];

(6) all of the rights against third parties (including, without limitation, all rights in connection with such third party guarantees, warranties, indemnities, restrictive covenants, confidentiality obligations and representations and all rights of action of whatever kind whether or not any proceedings have been commenced) with respect to the Business in particular, but not exclusively, as listed in EXHIBIT [____];

(7) the Business IPR in particular, but not exclusively, as listed in EXHIBIT [____];

(8) the Accounts Receivable in particular, but not exclusively, as listed in EXHIBIT [____];

(9) the Business Information in particular, but not exclusively, as listed in EXHIBIT [____];

(10) the Records in particular, but not exclusively, as listed in EXHIBIT [____];

(11) all other property rights and all other assets of whatsoever nature of any member of the Trader Group used exclusively in relation to the Business;

(12) All exhibits referred to in this section reflect the status of the contents of the respective exhibits as of the date on each of the respective exhibits. Seller and Purchaser agree to update these exhibits as of the Signing and Completion Date mutually.

2. The Purchaser accepts this sale.

3. Excluded Assets shall not be sold.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

SECTION 4

TRANSFER OF THE ASSETS

1. The Seller hereby transfers, and assigns title and possession of all assets enumerated specifically in section 3 (1) to (11) with effect as of the Completion Date. The parties shall transfer possession by means of a joint inspection on the Completion Date.

   The Purchaser accepts this transfer of title in the assets.

2. If individual assets among the assets which are sold are not in the possession of the Seller as of today or the Completion Date the Seller herewith assigns as of the Completion Date its right to regain possession against whomever has possession at such time, either directly or indirectly, to the Purchaser instead of delivering such assets at the Closing. The Purchaser accepts such assignment.

3. Should any of the above-mentioned assets have been delivered by a vendor to the Seller with reservation of ownership until the full purchase price has been paid, the Seller herewith assigns as of the Completion Date all rights to obtain full title to the Purchaser. The Purchaser accepts the assignment.

4. The Parties agree that with transfer of the assets, all rights that relate to these assets and may be claimed and enforced against third parties will be passed on to the Purchaser as well.

5. The Seller shall not assume any Excluded Liabilities under any of the foregoing provisions.

SECTION 5

TRANSFER OF AGREEMENTS, CONTRACTS AND RIGHTS AND LIABILITIES

1. Any and all Contracts (and claims or rights resulting therefrom) in particular as listed in EXHIBIT [___], any other rights and/or claims even if they are not based on Contracts and Assumed Liabilities, in particular as listed in EXHIBIT [___], but not any Excluded Liabilities in particular as listed in EXHIBIT [___] are herewith assigned as of the Completion Date to the Purchaser. Purchaser accepts such

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

assignment. Contrary to section 5(1) sentence 1 and section 8 (6) of this Agreement the agreements, contracts and/ or liabilities relating to the Business listed in EXHIBIT [___] shall not be assigned or transferred to the Purchaser.

2. The Purchaser assumes – in its legal relation to the Seller – by way of assignment herewith with effect as of the Completion Date – any liabilities arising from these agreements with the consequence that the Seller is released from these obligations. Purchaser accepts such assignment.

3. The Seller has already obtained the written consents from some contractual parties to the transfers of contracts. The respective consent notices are attached as EXHIBIT [____].]

4. The Seller assigns and transfers as of the Completion Date to the Purchaser all rights, in particular as emanating from the services offered by the Seller to third parties still valid at the date of the Closing, in particular as listed in EXHIBIT [____]. The Seller accepts such assignment and transfer and also assumes with effect as of the Closing date any and all obligations which arose from these offers, with the effect of discharging the Seller from its obligations.

   The Seller assigns and transfers as of the Completion Date to the Purchaser all of the rights against third parties (including, without limitation, all rights in connection with such third party guarantees, warranties, indemnities, restrictive covenants, confidentiality obligations and representations and all rights of action of whatever kind whether or not any proceedings have been commenced) with respect to the Business in particular, but not exclusively, as listed in EXHIBIT [____]. Purchaser accepts such assignment.

5. The Seller shall not assume any Excluded Liabilities under any of the foregoing provisions.

SECTION 6

EMPLOYEES

1. The Purchaser assumes and honors the employment contracts of all active and non retired employees as of the Completion Date, the names of which are listed in EXHIBIT [___] to the extent as provided for by German law.

Source: NICE SYSTEMS LTD, 20−F, June 26, 2003

The employees have been informed about the transaction by the Purchaser and the Seller by means of a letter substantially in the form as attached as Schedule [___].

SECTION 7

PURCHASE PRICE

The purchase price for the Business shall be the amount determined in accordance with the Sale and Purchase Agreement (in particular, but not limited to clauses 7 and 8).

SECTION 8

MISCELLANEOUS

1. Amendments and additions to this Agreement must be in writing. Written form can be waived only in writing.

2. The Parties to this Agreement commit themselves to treat its content confidentially.

3. The English Language version of this Agreement shall be the governing version for purposes of effectiveness, interpretation and construction of its terms. even if a German convenience translation may be rendered.

4. This Agreement has been entered into to effect the valid sale of assets under English law (agreement to sell and transfer title in section 3 hereafter) and transfer of title in assets under German law (section 4 and 5 hereafter), such transfer to occur as provided for by clauses 5.4.3 and 5.5. of the Sale and Purchase Agreement.

   The applicable law for clauses 4, 5 and 6 only of this Agreement are the laws of the Federal Republic of Germany. The UN Convention on the Sale of Goods shall be excluded. For any other provisions of this Agreement, the Laws of England shall govern. This choice of law provision shall be governed and construed in accordance with English law.

Source: NICE SYSTEMS LTD, 20−F, June 26, 2003

The parties agree that any rights, obligations or remedies as regards the sale of the Business as contemplated in this Agreement and the Sale and Purchase Agreement shall only be exercised and can only be based on the rights, remedies and obligations as created by the Sale and Purchase Agreement.

5. The English courts shall have non-exclusive jurisdiction.

6. The parties to this Agreement acknowledge and agree that in case of a conflict between this Agreement and the Sale and Purchase Agreement the Sale and Purchase Agreement shall prevail.

7. Should one or several provisions of this Agreement be null and void, display gaps or become unenforceable, the validity of this Agreement as such shall not be in question. Rather, this Agreement is to be interpreted and construed under such circumstances in a manner which allows for the preservation of the content and intent of the Parties as much and as widely as possible. The Parties herewith obligate one another to replace any invalid or unenforceable provision with a valid and enforceable one so that the economic meaning of the provision that is to be replaced is preserved as much as possible.

Datum/Date [..........]

Trader Contact Solutions GmbH

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

[German Purchaser]

Exhibit 3(1):	Machinery and Equipment.
Exhibit 3(2):	Fixtures and Fittings.
Exhibit 3(3):	Inventory.
Exhibit 3(4):	Goodwill and Intangible Assets.
Exhibit 3(5):	Benefit of Contracts.
Exhibit	3(6): All rights against third parties (including, without limitation, all rights in connection with such third party guarantees, warranties, indemnities, restrictive covenants, confidentiality obligations and representations and all rights of action of whatever kind whether or not any proceedings have been commenced) with respect to the Business. [To the extent not covered under Exhibit 3(5)].
Exhibit 3(7):	Business IPR.
Exhibit 3(8):	Accounts Receivable.
Exhibit 3(9):	Business Information.
Exhibit 3(10):	The Records.
Exhibit	3(11): All other property rights and all other assets of whatsoever nature of any member of the Trader Group used exclusively in relation to the Business.

Exhibit 5(1):	Contracts.
Exhibit 5(1)(2):	Rights and/or Claims not based on Contracts or Assumed Liabilities.
Exhibit 5(1)(3):	Excluded Liabilities.
Exhibit 5(1)(4)	Excluded agreements, contracts and liabilities.
Exhibit 5(3):	Consent notices.
Exhibit	5(4): Rights arising from Services offered by Seller to third parties still valid at Closing.[To the extent not covered under Exhibit 5(1)].
Exhibit	5(4)(2): All rights against third parties (including, without limitation, all rights in connection with such third party guarantees, warranties, indemnities, restrictive covenants, confidentiality obligations and representations and all rights of action of whatever kind whether or not any proceedings have been commenced) with respect to the Business. [To the extent not covered under Exhibit 5(1)].
Exhibit 6(1):	Employment contracts of all active and non-retired employees as of the Completion\ Date.
Exhibit 6(1)(2):	Agreed form of Letter of Information to Employees.

SCHEDULE 18

EMPLOYEES

SCHEDULE 19

RELEVANT EMPLOYEES

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

SCHEDULE 20

KEY EMPLOYEES

SCHEDULE 21

PART A

2002 SALES DETERMINATION

1 PRINCIPLES FOR PREPARATION OF THE 2002 SALES STATEMENT

The 2002 Sales Statement shall be prepared on the basis of US GAAP and subject to US GAAP, as adopted in the preparation of Nice's financial statements.

2 PREPARATION OF THE 2002 SALES STATEMENT

2.1 Nice shall procure that the Purchasers' management shall, as promptly as practicable, and in any event within 60 (sixty) days of 31 December 2002 ("the First Period"), prepare and deliver to Thales and to Nice a draft of the 2002 Sales Statement together with a draft certificate (the "Nice's Accountant's Certificate") in the form set out in Part B of this Schedule 21 addressed to Thales and to Nice stating that the 2002 Sales Statement has been prepared in accordance with this Agreement.

2.2 Thales and Nice shall attempt to agree the draft 2002 Sales Statement as soon as possible and in any event within 30 (thirty) days (the "Second Period") after receipt of the same under paragraph 2.

2.3 During the Second Period, Thales' Accountants shall be entitled to call for an inspection of such documents as they shall reasonably consider necessary. Nice shall procure that the Companies, the Purchasers and Nice's Accountants respectively shall give each other and to Thales' Accountants access to all of their records, working papers or other information used as a basis for preparing the 2002 Sales Statement and access to personnel as may reasonably be required for the purposes of considering and agreeing the 2002 Sales Statement.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

2.4 Unless within the Second Period Thales notifies Nice in writing (setting out the adjustments, if any, which it proposes should be made to the draft 2002 Sales Statement the draft 2002 Sales Statement shall be deemed to be agreed and shall, save in the event of fraud or manifest error, become final and binding on Thales and Nice for the purposes of this Agreement.

2.5 If by the end of the Second Period the draft 2002 Sales Statement has not been agreed, Thales shall meet with Nice so as to resolve in good faith any differences within the following 7 (seven) days (the "7 Day Period"). After the expiry of the 7 Day Period either Nice or Thales may refer the matters in dispute to the Independent Accountants. The Independent Accountants shall agree, amend or prepare the 2002 Sales Statement and determine the 2002 Sales but always in accordance with the principles set out in paragraph 1 of this Schedule insofar as not otherwise agreed in accordance with the provisions of this Schedule 21. The Independent Accountants shall be entitled to call for and inspect such documents as they shall reasonably consider necessary. The determination prepared by the Independent Accountants shall be delivered to Thales and Nice within 30 days of such submission to the Independent Accountants and shall (save in respect of manifest error) be final and binding on Thales and Nice for the purposes of this Agreement and the Independent Accountants shall act as experts and not as arbitrators. In acting under this clause 2.5 the Independent Accountants shall be entitled to the privileges and immunities of arbitrators. Thales and Nice shall act in good faith towards each other regarding such application and in particular shall endeavour with reasonable expedition to settle the terms of reference of the Independent Accountants.

2.6 Thales shall pay the charges of Thales' Accountants and Nice shall pay the charges of Nice's Accountants in respect of work carried out pursuant to the provisions of this Schedule and the charges of the Independent Accountants (if appointed) shall be apportioned between Thales and Nice in such proportions as the Independent Accountants may determine in the light of the merits of the objections taken by (or on behalf of) Thales to the 2002 Sales Statement in the form despatched pursuant to paragraph 2.2.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

2.7 Thales and Nice shall respectively procure, so far as they are able, that the Companies, the Purchasers, Nice's Accountants and Thales' Accountants respectively shall give each other and to the Independent Accountants access to all of their working papers or other information used as a basis for preparing the 2002 Sales Statement and access to personnel as may reasonably be required for the purposes of considering and agreeing the 2002 Sales Statement.

2.8 Upon the 2002 Sales Statement having become final and binding pursuant to this Schedule (save in respect of fraud or manifest error), Nice shall procure that the Nice's Accountant's Certificate is finalised and signed and no right of appeal shall be competent with regard thereto, and neither Thales nor Nice nor the Independent Accountants shall be entitled to appeal or state a case either on a point of law or fact with regard thereto, to any court.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

3 Sales Earn Out Amount

The Sales Earn Out Amount shall be calculated by reference to the table set out below such that for every Euro by which the 2002 Sales exceeds Euro 84,000,000, up to and including the sum of Euro 88,000,000, Thales shall be entitled to a Dollar by way of the Sales Earn Out and if the 2002 Sales are Euro 88,000,001 or above then Thales shall be entitled to a further $1,000,000 save that the Sales Earn Out Amount shall in no event exceed $5,000,000:

Earn Out	Euro Sales Range		Sales Earn Out
	From	To	Amount
	84,000,000 or below		$0
1	84,000,001	85,000,000	$1,000,000
2	85,000,001,	86,000,000	$2,000,000
3	86,000,001	87,000,000	$3,000,000
4	87,000,001	88,000,000	$4,000,000
5	88,000,001 and above		$5,000,000

PART B

NICE'S ACCOUNTANT'S CERTIFICATE

(to be prepared on the notepaper of the Auditors)

To: Thales

Nice

Date

Reference

Gentleman

The Company

We refer to the Sale and Purchase Agreement ("the Agreement") made between Thales and Nice on _________________________ 2002 for the sale of the Business and the Assets as therein defined. Words and expressions defined for the purpose of the Agreement have the same meanings in this letter.

In accordance with Clause 7.3 and Schedule 21 of the Agreement we attach, initialled for identification, draft 2002 Sales Statement. The statement shows 2002 Sales of Euro [ ] and therefore in accordance with the Agreement and by reference to the table set out in Schedule 21 the amount payable by [ ] to [ ] is Dollars [ ].

In our opinion the 2002 Sales Statement has been prepared in all material respects in accordance with Schedule 21 of the Agreement.

Yours faithfully

Nice's Accountants

SCHEDULE 22

SURPLUS EMPLOYEES

</TEXT>
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Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

==

REGISTRATION RIGHTS AGREEMENT

BY AND BETWEEN

NICE SYSTEMS LIMITED

AND

THALES SA

DATED AS OF NOVEMBER 2, 2002

==

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "Agreement"), dated as of November 2, 2002, is entered into by and between Nice Systems Limited of 8 Hapnina Street, Ra'anana 43107, Israel, a corporation organized under the laws of Israel (the "Company") and Thales SA of 173 Boulevard Haussmann, Paris, France (75008), a company organized under the laws of France (the "Initial Holder").

RECITALS

WHEREAS, the Initial Holder and the Company have entered into a Sale and Purchase Agreement, dated 30 July, 2002 (the "Sale and Purchase Agreement") pursuant to which the Company has agreed to purchase from the Initial Holder certain securities and other assets of the Initial Holder described therein for the consideration described therein;

WHEREAS, pursuant to the terms of the Sale and Purchase Agreement, the Company will issue or cause to be issued 2,187,500 American Depository Shares of the Company ("ADSs"), each representing one Ordinary Share, par value 1.00 New Israeli Shekel per share, of the Company (each, an "Ordinary Share") to the Initial Holder;

WHEREAS, pursuant to the terms of the Sale and Purchase Agreement, the ADSs and Ordinary Shares issued to the Initial Holder are subject to certain restrictions on transfer pursuant to (A) Schedule 11 to the Sale and Purchase Agreement, including prohibitions on any transfers within the first year following their issuance, limitations on transfers in subsequent periods, and limitations on the manner of sale (including pricing) of ADSs and any American Depositary Receipts representing ADSs ("ADRs"), and (B) US and Israeli securities laws;

WHEREAS, pursuant to the terms of the Sale and Purchase Agreement, the Company has agreed to eliminate certain of the restrictions under US and Israeli securities laws by entering into this Agreement to provide the Initial Holder with registration rights with respect to the ADSs and Ordinary Shares issued to the Initial Holder pursuant to the terms of the Sale and Purchase Agreement; and

WHEREAS, the Company and the Initial Holder desire to enter into this Registration Rights Agreement to provide for such registration rights on the terms set forth herein.

NOW THEREFORE, in consideration of the premises and the mutual representations, warranties, covenants and agreements contained herein, the parties hereto hereby agree as follows:

1. CERTAIN DEFINITIONS.

As used in this Agreement, the following terms shall have the meanings ascribed to them below:

1.1. "AFFILIATE" shall have the meaning given to it in Rule 12b-2 of the General Rules and Regulations under the Exchange Act.

1.2. "COMMISSION": the Securities and Exchange Commission.

1.3. "EXCHANGE ACT": the Securities Exchange Act of 1934, as amended.

1.4. "HOLDER" or "HOLDERS": the Initial Holder for so long as it shall hold Registrable Securities and any transferee of Registrable Securities to whom the Initial Holder shall assign or transfer any rights hereunder, PROVIDED that such transferee has agreed in writing to be bound by this Agreement and the transfer restrictions set forth in Schedule 11 to the Sale and Purchase Agreement in respect of such Registrable Securities.

1.5. "PERSON": any natural person, corporation, partnership, firm, association, trust, government, governmental agency or other entity, whether acting in an individual, fiduciary or other capacity.

1.6. "REGISTRABLE SECURITIES": the ADSs issued to the Holder pursuant to the terms of the Sale and Purchase Agreement and the Ordinary Shares underlying such ADSs. As to any particular Registrable Securities, such securities shall cease to be Registrable Securities when (i) a registration statement with respect to the sale of such securities shall have been declared effective under the Securities Act and such securities shall have been disposed of in accordance with such registration statement, or (ii) such securities are eligible to be sold or distributed pursuant to Rule 144 (or any successor provision) under the Securities Act within any consecutive three month period (including, without limitation, pursuant to Rule 144(k)) without volume limitations.

1.7. "SECURITIES ACT": the Securities Act of 1933, as amended.

2. REGISTRATION RIGHTS.

2.1. SHELF REGISTRATION STATEMENT

(a) OBLIGATION TO FILE AND MAINTAIN. Subject to the prior receipt by the Company of the audited financial statements, auditors' report and current accountants' consent required by Section 10.6 of the Sale and Purchase Agreement, the Company agrees to prepare and, within two hundred seventy (270) days following the Completion Date (as defined in the Sale and Purchase Agreement) and in any event not later than June 30, 2003 (or, if later, the date that the Company's report on Form 20-F is required to be filed with the Commission), to file with the Commission, one (1) registration statement for an offering to be made on a continuous basis pursuant to Rule 415 under the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission, covering all of the Registrable Securities held by the Holders (such registration, the "SHELF REGISTRATION STATEMENT"). The Shelf Registration Statement shall be on Form F-3 under the Securities Act or another appropriate form selected by the Company (and reasonably acceptable to the participating Holders) permitting registration of such Registrable Securities for resale by the

participating Holders in the manner or manners reasonably designated by them (not including underwritten offerings). The Company shall use its reasonable commercial best efforts to cause the Shelf Registration Statement to be declared effective by the Commission pursuant to the Securities Act no later than the one year anniversary of the Completion Date, and to keep the Shelf Registration Statement continuously effective under the Securities Act until the later of (i) the third anniversary of the Completion Date or (ii) the date on which all of such securities are eligible to be sold or distributed pursuant to Rule 144 (or any successor provision) under the Securities Act within any consecutive three month period (including, without limitation, pursuant to Rule 144(k)) without volume limitations (such period, the "EFFECTIVENESS PERIOD"); PROVIDED, that the Effectiveness Period shall be extended by that number of days which is equal to the aggregate number of days that the selling Holders are required to suspend use of the Shelf Registration Statement pursuant to actions or events described in Section 3 of this Agreement.

(b) SELLING SECURITYHOLDER INFORMATION. The Company may require each participating Holder to furnish to the Company such information regarding the Holder and the distribution of the Registrable Securities as the Company may from time to time reasonably require for inclusion in the Shelf Registration Statement, and the Company may exclude from such registration the Registrable Securities of any Holder that fails to furnish such information within twenty (20) business days after delivery of such request by the Company. Each Holder agrees to furnish to the Company all information required to be disclosed in order to make the information previously furnished to the Company by such Holder not misleading.

(c) The Company represents and warrants that it currently meets the requirements for use of Form F-3 for registration of the public resale of the Registrable Securities and has no knowledge of any facts which would cause the Company to fail to meet such requirements. In the event that after the Completion Date Form F-3 is not available for the registration of the public resale of Registrable Securities pursuant to the terms herein, the Company shall use reasonable efforts to (i) register the public resale of the Registrable Securities on another appropriate short form, reasonably acceptable to the Holders, and (ii) undertake to register the Registrable Securities on Form F-3 as soon as such form is available; PROVIDED, that the Company shall maintain the effectiveness of the Shelf Registration Statement then in effect until such time as a Shelf Registration Statement on Form F-3 covering the Registrable Securities has been declared effective; PROVIDED, further that the combined effectiveness period of all Shelf Registration Statements covering the Registrable Securities shall not be longer than the Effectiveness Period.

2.2. REGISTRATION PROCEDURES.

In connection with the preparation and filing of the Shelf Registration Statement, the Company shall, as expeditiously as practicable:

(a) prepare and file with the Commission a registration statement on Form F-3 under the Securities Act or another appropriate form selected by the Company (and reasonably acceptable to the participating Holders) for the disposition of the Registrable Securities of the Holders, which shall comply as to form in all material respects with the requirements of the applicable form and include all financial statements required by the Commission to be filed therewith, and the Company shall use its best efforts to cause such registration statement to become and remain effective (PROVIDED, HOWEVER, that before filing a registration statement or prospectus or any amendments or supplements thereto, or comparable statements under securities or blue sky laws of any jurisdiction, the Company will furnish to one counsel for the Holders participating in the planned offering (selected by the Holders of a majority of the Registrable Securities included in such registration) copies of all such documents proposed to be filed (including all exhibits thereto), which documents will be subject to the reasonable review and reasonable comment of such counsel;

(b) prepare and file with the Commission such pre- and post-effective amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective until the expiration of the Effectiveness Period and to comply with the provisions of the Securities Act with respect to the sale or other disposition of all Registrable Securities covered by such registration statement in accordance with the intended methods of disposition by the seller or sellers thereof set forth in such registration statement;

(c) furnish, without charge, to each seller of such Registrable Securities such number of copies of such registration statement, each pre- and post-effective amendment and supplement thereto (in each case including all exhibits), and the prospectus included in such registration statement (including each preliminary prospectus) in conformity with the requirements of the Securities Act, and other documents, as such seller may reasonably request in order to facilitate the public sale or other disposition of the Registrable Securities owned by such seller (the Company hereby consenting to the use in accordance with all applicable laws and the provisions of this Agreement of each such registration statement (or amendment or post-effective amendment thereto) and each such prospectus (or preliminary prospectus or supplement thereto) by each such seller of Registrable Securities in connection with the offering and sale of the Registrable Securities covered by such registration statement or prospectus);

(d) use its reasonable commercial best efforts to register or qualify the Registrable Securities covered by such registration statement under such other securities or "blue sky" laws of such jurisdictions as any sellers of Registrable Securities shall reasonably request, and do any and all other acts and things which may be reasonably necessary or advisable to enable such sellers to consummate the disposition of the Registrable Securities in such jurisdictions, except that in no event shall the Company be required to qualify to do business as a foreign corporation in any jurisdiction where it would not, but for the requirements of this paragraph (e), be required to be so qualified, to subject itself to taxation in any such jurisdiction or to consent to general service of process in any such jurisdiction;

(e) promptly notify each Holder selling Registrable Securities covered by such registration statement: (i) when the registration statement, any pre-effective amendment, the prospectus or any prospectus supplement related thereto or post-effective amendment to the

registration statement has been filed and, with respect to the registration statement or any post-effective amendment, when the same has become effective (with such notification by fax or email on the same day as such filing or effectiveness); (ii) of any request by the Commission or state securities authority for amendments or supplements to the registration statement or the prospectus related thereto or for additional information; (iii) of the issuance by the Commission of any stop order suspending the effectiveness of the registration statement or the initiation of any proceedings for that purpose; (iv) of the receipt by the Company of any notification with respect to the suspension of the registration or qualification of any Registrable Securities for sale under the securities or blue sky laws of any jurisdiction or the initiation of any proceeding for such purpose; and (v) of the existence of any fact of which the Company becomes aware which results in the registration statement, the prospectus related thereto or any document incorporated therein by reference containing an untrue statement of a material fact or omitting to state a material fact required to be stated therein or necessary to make any statement therein not misleading; and, if the notification relates to an event described in clause (v), the Company shall (A) promptly, and in any event within ten (10) business days, prepare and file with the Commission a prospectus supplemented or amended so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein in the light of the circumstances under which they were made not misleading and (B) promptly furnish to each such seller a reasonable number of copies of such supplemented or amended prospectus. In the event the Company shall give any such notice, the Effectiveness Period shall be extended by the number of days during such period from and including the date of the giving of such notice to and including the date when each seller of any Registrable Securities covered by such registration statement shall have received the copies of the supplemented or amended prospectus;

(f) comply with all applicable rules and regulations of the Commission;

(g) (i) cause all such Registrable Securities covered by such registration statement to be listed on the principal US securities exchange on which similar securities issued by the Company are then listed (if any), if the listing of such Registrable Securities is then permitted under the rules of such exchange, or (ii) if no similar securities are then so listed, use its best efforts to cause all such Registrable Securities to be listed on a national securities exchange or, failing that, secure designation of all such Registrable Securities as a National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ") "national market system security" within the meaning of Rule 11Aa2-1 of the Commission or, failing that, secure NASDAQ authorization for such securities and, without limiting the generality of the foregoing, take all reasonable commercial actions that may be required by the Company as the issuer of such Registrable Securities in order to facilitate the registration of at least two market makers as such with respect to such securities with the National Association of Securities Dealers, Inc. (the "NASD");

(h) provide and cause to be maintained a transfer agent and registrar for all such Registrable Securities covered by such registration statement not later than the effective date of such registration statement;

(i) deliver promptly to each Holder participating in the offering copies of all correspondence between the Commission and the Company, its counsel or auditors and all memoranda relating to discussions with the Commission or its staff with respect to the registration statement, other than those portions of any such correspondence and memoranda which contain information subject to attorney-client privilege with respect to the Company, and, upon receipt of such confidentiality agreements as the Company may reasonably request, make reasonably available for inspection by any seller of such Registrable Securities covered by such registration statement, and by any attorney, accountant or other agent retained by any such seller, all pertinent financial and other records, pertinent corporate documents and properties of the Company, and cause all of the Company's officers, directors and employees to supply all information reasonably requested by any such seller, attorney, accountant or agent in connection with such registration statement;

(j) use its reasonable commercial best efforts to obtain the withdrawal of any order suspending the effectiveness of the registration statement;

(k) provide a CUSIP number for all Registrable Securities, not later than the effective date of the registration statement;

(l) furnish to each Holder participating in the offering, without charge, at least one signed copy of the registration statement and any post-effective amendments thereto, including financial statements and schedules, all documents incorporated therein by reference and all exhibits (including those incorporated by reference);

(m) cooperate with the selling Holders of Registrable Securities to facilitate the timely preparation and delivery of certificates not bearing any restrictive legends representing the Registrable Securities to be sold, and cause such Registrable Securities to be issued in such denominations and registered in such names in accordance with the instructions of the selling holders of Registrable Securities at least three business days prior to any sale of Registrable Securities; and

(n) take all such other commercially reasonable actions as are necessary or advisable in order to expedite or facilitate the disposition of such Registrable Securities.

The Company may require as a condition precedent to the Company's obligations under this Section 2.2 that each seller of Registrable Securities as to which any registration is being effected furnish the Company such information regarding such seller and the distribution of such securities as the Company may from time to time reasonably request, provided that such information shall be used only in connection with such registration.

Each Holder of Registrable Securities agrees that upon receipt of any notice from the Company of the happening of any event of the kind described in clause (v) of paragraph (e) of this Section 2.2, such Holder will discontinue such Holder's disposition of Registrable Securities pursuant to the registration statement covering such Registrable Securities until such Holder's receipt of the copies of the supplemented or amended prospectus contemplated by paragraph (e) of this Section 2.2 and, if so directed by the Company, will deliver to the Company (at the Company's expense) all copies, other than permanent file copies, then in such Holder's

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possession of the prospectus covering such Registrable Securities that was in effect at the time of receipt of such notice. In the event the Company shall give any such notice, the Effectiveness Period shall be extended by the number of days during such period from and including the date of the giving of such notice to and including the date when each seller of any Registrable Securities covered by such registration statement shall have received the copies of the supplemented or amended prospectus contemplated by paragraph (e) of this Section 2.2.

If any such registration statement or comparable statement under "blue sky" laws refers to any Holder by name or otherwise as the Holder of any securities of the Company, then such Holder shall have the right to require (i) the insertion therein of language, in form and substance satisfactory to such Holder and the Company, to the effect that the holding by such Holder of such securities is not to be construed as a recommendation by such Holder of the investment quality of the Company's securities covered thereby and that such holding does not imply that such Holder will assist in meeting any future financial requirements of the Company, or (ii) in the event that such reference to such Holder by name or otherwise is not in the judgment of the Company, as advised by counsel, required by the Securities Act or any similar federal statute or any state "blue sky" or securities law then in force, the deletion of the reference to such Holder.

2.3. REGISTRATION EXPENSES.

(a) "EXPENSES" shall mean any and all fees and expenses incident to the Company's performance of or compliance with this Agreement, including, without limitation: (i) Commission, stock exchange or NASD registration and filing fees and all listing fees and fees with respect to the inclusion of securities in NASDAQ, (ii) fees and expenses incurred in complying with United States or Israeli securities or state blue sky laws, (iii) printing expenses, (iv) messenger and delivery expenses, (v) fees and disbursements of counsel for the Company, (vi) fees and disbursements of all independent public accountants (including the expenses of any audit and/or "cold comfort" letter) and fees and expenses of other persons, including special experts, retained by the Company, (vii) fees associated with the issuance of the Company's American Depository Shares, evidenced by ADRs issued pursuant to the Deposit Agreement, dated as of January 24, 1996, by and among the Bank of New York, as depositary, the Company and holders of American Depositary Receipts (the "ADR FACILITY"), and (viii) fees and expenses, if any, relating to the maintenance, administration or amendment of the depository facility for the ADSs in connection with the sale of any Registration Securities (collectively, "EXPENSES").

(b) The Company shall pay all Expenses with respect to the registration contemplated by this Agreement whether or not such registration becomes effective or remains effective for the period contemplated by Section 2.1.

(c) Notwithstanding the foregoing, (x) the provisions of this Section 2.3 shall be deemed amended to the extent necessary to cause these expense provisions to comply with "blue sky" laws of each state in which the offering is made and (y) in connection with any registration hereunder, each Holder of Registrable Securities being registered shall pay all transfer taxes, if any, attributable to the Registrable Securities included in the offering by such Holder and (z) the Company shall, in the case of all registrations under this Agreement, be responsible for all its internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties).

2.4. NO REQUIRED SALE.

Nothing in this Agreement shall be deemed to create an independent obligation on the part of any Holder to sell any Registrable Securities pursuant to any effective registration statement.

2.5. INDEMNIFICATION.

(a) In the event of any registration of any securities of the Company under the Securities Act pursuant to this Agreement, the Company will, and hereby does, indemnify and hold harmless, to the fullest extent permitted by law, the seller of any Registrable Securities covered by such registration statement, its directors, officers, fiduciaries, employees and stockholders or general and limited partners (and the directors, officers, employees and stockholders thereof), and each other Person, if any, who controls such seller within the meaning of the Securities Act, against any and all losses, claims, damages or liabilities, joint or several, actions or proceedings (whether commenced or threatened) in respect thereof ("CLAIMS") and expenses (including reasonable fees of counsel and any amounts paid in any settlement effected with the Company's consent, which consent shall not be unreasonably withheld or delayed) to which each such indemnified party may become subject under the Securities Act or otherwise, insofar as such Claims or expenses arise out of or are based upon (i) any untrue statement or alleged untrue statement of a material fact contained in any registration statement under which such securities were registered under the Securities Act or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) any untrue statement or alleged untrue statement of a material fact contained in any preliminary, final or summary prospectus or any amendment or supplement thereto, together with the documents incorporated by reference therein, or the omission or alleged omission to state therein a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or (iii) any violation by the Company of any federal, state or common law rule or regulation applicable to the Company and relating to action required of or inaction by the Company in connection with any such registration, and the Company will reimburse any such indemnified party for any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such Claim as such expenses are incurred; PROVIDED, HOWEVER, that the Company shall not be liable to any such indemnified party in any such case to the extent such Claim or expense arises out of or is based upon any untrue statement or alleged untrue statement of a material fact or omission or alleged omission of a material fact made in such registration statement or amendment thereof or supplement thereto or in any such prospectus or any preliminary, final or summary prospectus in reliance upon and in conformity with written information furnished to the Company by or on behalf of such indemnified party specifically for use therein; and PROVIDED, FURTHER, that in no event shall the Company indemnify, or be deemed to indemnify, any such Person in connection with any actions taken by such Person in his or her capacity as a director of the Company to the extent that such indemnification is not permitted by applicable law. Such indemnity and reimbursement of expenses shall remain in full force and effect regardless of any investigation made by or on behalf of such indemnified party and shall survive the transfer of such securities by such seller.

(b) Each Holder of Registrable Securities that are included in the securities as to which any registration under this Agreement is being effected shall, severally and not jointly, indemnify and hold harmless (in the same manner and to the same extent as set forth in paragraph (a) of this Section 2.5) to the extent permitted by law the Company, its officers and directors, each Person controlling the Company within the meaning of the Securities Act and all other prospective sellers and their directors, officers, general and limited partners and respective controlling Persons with respect to any untrue statement or alleged untrue statement of any material fact in, or omission or alleged omission of any material fact from, such registration statement, any preliminary, final or summary prospectus contained therein, or any amendment or supplement thereto, if such statement or alleged statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company or its representatives by or on behalf of such Holder specifically for use therein and reimburse such indemnified party for any legal or other expenses reasonably incurred in connection with investigating or defending any such Claim as such expenses are incurred; PROVIDED, HOWEVER, that the aggregate amount which any such Holder shall be required to pay pursuant to this Section 2.5(b) and Sections 2.5(c) and (e) shall in no case be greater than the amount of the net proceeds received by such person upon the sale of the Registrable Securities pursuant to the registration statement giving rise to such claim. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such indemnified party and shall survive the transfer of such securities by such Holder.

(c) Indemnification similar to that specified in the preceding paragraphs (a) and (b) of this Section 2.5 (with appropriate modifications) shall be given by the Company and each seller of Registrable Securities with respect to any required registration or other qualification of securities under any state securities and "blue sky" laws.

(d) Any person entitled to indemnification under this Agreement shall notify promptly the indemnifying party in writing of the commencement of any action or proceeding with respect to which a claim for indemnification may be made pursuant to this Section 2.5, but the failure of any indemnified party to provide such notice shall not relieve the indemnifying party of its obligations under the preceding paragraphs of this Section 2.5, except to the extent the indemnifying party is materially prejudiced thereby and shall not relieve the indemnifying party from any liability which it may have to any indemnified party otherwise than under this Article 2. In case any action or proceeding is brought against an indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, unless in the reasonable opinion of outside counsel to the indemnified party a conflict of interest between such indemnified and indemnifying parties may exist in respect of such claim, to assume the defense thereof jointly with any other indemnifying party similarly notified, to the extent that it chooses, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and after notice from the indemnifying party to such indemnified party that it so chooses, the indemnifying party shall not be liable to such indemnified party for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation; PROVIDED, HOWEVER, that (i) if the indemnifying party fails to take reasonable steps necessary to defend diligently the action or proceeding within 20 days after receiving notice from such indemnified party that the

indemnified party believes it has failed to do so; or (ii) if such indemnified party who is a defendant in any action or proceeding which is also brought against the indemnifying party reasonably shall have concluded that there may be one or more legal defenses available to such indemnified party which are not available to the indemnifying party; or (iii) if representation of both parties by the same counsel is otherwise inappropriate under applicable standards of professional conduct, then, in any such case, the indemnified party shall have the right to assume or continue its own defense as set forth above (but with no more than one firm of counsel for all indemnified parties in each jurisdiction, except to the extent any indemnified party or parties reasonably shall have concluded that there may be legal defenses available to such party or parties which are not available to the other indemnified parties or to the extent representation of all indemnified parties by the same counsel is otherwise inappropriate under applicable standards of professional conduct) and the indemnifying party shall be liable for any expenses therefor. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (A) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (B) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party.

(e) If for any reason the foregoing indemnity is unavailable or is insufficient to hold harmless an indemnified party under Sections 2.5(a), (b) or (c), then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of any Claim in such proportion as is appropriate to reflect the relative fault of the indemnifying party, on the one hand, and the indemnified party, on the other hand, with respect to such offering of securities. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the indemnifying party or the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. If, however, the allocation provided in the second preceding sentence is not permitted by applicable law, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative faults but also the relative benefits of the indemnifying party and the indemnified party as well as any other relevant equitable considerations. The parties hereto agree that it would not be just and equitable if contributions pursuant to this Section 2.5(e) were to be determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the preceding sentences of this Section 2.5(e). The amount paid or payable in respect of any Claim shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such Claim. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. Notwithstanding anything in this Section 2.5(e) to the contrary, no indemnifying party (other than the Company) shall be required pursuant to this Section 2.5(e) to contribute any amount in excess of the net proceeds received by such indemnifying party from

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the sale of Registrable Securities in the offering to which the losses, claims, damages or liabilities of the indemnified parties relate, less the amount of any indemnification payment made pursuant to Sections 2.5(b) and (c).

(f) The indemnity agreements contained herein shall be in addition to any other rights to indemnification or contribution which any indemnified party may have pursuant to law or contract and shall remain operative and in full force and effect regardless of any investigation made or omitted by or on behalf of any indemnified party and shall survive the transfer of the Registrable Securities by any such party.

(g) The indemnification and contribution required by this Section 2.5 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or expense, loss, damage or liability is incurred.

3. "MARKET STAND-OFF" AGREEMENT/BLACK-OUT PERIODS.

(a) During the Effectiveness Period, each Holder that, at any time within twenty (20) trading days prior to the effectiveness of the registration statement referred to below, owns 5% or more of the Company's issued and outstanding equity securities, if requested by the Company and the managing underwriter, shall agree that, during the period of ninety (90) days (or such lesser time period as is agreed to by all officers and directors of the Company and all holders of 5% or more of the Company's issued and outstanding equity securities) following the effective date of a registration statement of the Company filed under the Securities Act in connection with an underwritten offering, it shall not sell or otherwise transfer or dispose of (other than to donees or partners who agree to be similarly bound) any ADSs or Ordinary Shares of the Company held by it except any ADSs or Ordinary Shares of such Holder included in such registration; PROVIDED, HOWEVER, that any Holder that holds less than 5% of the Company's issued and outstanding equity securities for each of the twenty (20) trading days prior to the effectiveness of such registration statement may, commencing on the thirty-first (31st) day after the effective date of the registration statement, sell ADSs or Ordinary Shares representing up to the greater of (x) 1% of the Company's then issued and outstanding equity securities or (y) the average weekly trading volume of the Company's equity securities during the four week period ending on the effective date of the registration statement; and PROVIDED, FURTHER, that:

(i) the foregoing agreement by the Holder shall be in writing in a form reasonably satisfactory to the Holder;

(ii) such agreement shall be applicable only to a registration statement initiated by the Company which covers ADSs or Ordinary Shares to be sold on its behalf to the public in a firmly committed underwritten offering; and

(iii) all officers and directors of the Company and all holders of 5% or more of the Company's issued and outstanding equity securities enter into similar agreements.

(b) Notwithstanding anything herein to the contrary, the Company shall be entitled to postpone or suspend (but not for a period exceeding 60 days or until the Company notifies the Holders of the termination of any black-out period) the filing or effectiveness of a registration

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statement otherwise required to be prepared and filed by it pursuant to Section 2.1 or require the Holders not to sell under the Shelf Registration Statement as provided for under Section 2.1 if the Company determines, in its good faith judgment, or if the managing underwriter for any underwritten offering advises the Company in writing, that such registration and offering, continued effectiveness or sale would interfere with any material financing, acquisition, disposition, corporate reorganization or other material transaction involving the Company or any of its subsidiaries or public disclosure thereof would be required prior to the time such disclosure might otherwise be required, or when the Company is in possession of material information that it deems advisable not to disclose in a registration statement (a "VALID BUSINESS REASON BLACK-OUT PERIOD"), PROVIDED, HOWEVER, that (A) the Holders shall not be prohibited from selling ADSs or Ordinary Shares pursuant to the Shelf Registration Statement for 120 days after the Shelf Registration Statement is declared effective by the Commission, (B) the aggregate number of days included in all Valid Business Reason Blackout Periods during any consecutive six (6) months shall not exceed sixty (60) days and (C) there shall not be more than four (4) Valid Business Reason Black-Out Periods during any consecutive twelve (12) month period. The Company shall not be entitled to initiate a Valid Business Reason Black-Out Period unless it shall (i) to the extent permitted or required by agreements with other security holders of the Company, concurrently prohibit sales by such other security holders under registration statements covering securities held by such other security holders during such Valid Business Reason Blackout Period and (ii) concurrently prohibit purchases and sales in the open market by directors and executive officers of the Company during such Valid Business Reason Blackout Period.

(c) Each Holder further acknowledges and agrees that such Holder may have access to confidential information that constitutes material non-public information regarding the Company for purposes of the securities laws of the United States, and that such laws prohibit any person who has material non-public information about a company from purchasing or selling securities of such company, or from communicating such information to any other person under circumstances in which it is reasonably foreseeable that such person is likely to purchase or sell such securities.

4. GENERAL.

4.1. ADJUSTMENTS AFFECTING REGISTRABLE SECURITIES.

The Company agrees that it shall not effect or permit to occur any combination or subdivision of shares or any change in the number of Ordinary Shares represented by each ADS unless and until the Company has filed a registration statement with the Commission (or duly amended an existing effective registration statement), such that, after giving effect to such combination, subdivision or change, there shall be a sufficient number of registered ADSs to represent all Ordinary Shares underlying Registrable Securities held by all of the Holders pursuant to this Agreement.

4.2. MERGERS, ETC.

The Company shall not, directly or indirectly, enter into any merger, consolidation or reorganization in which the Company shall not be the surviving corporation unless the proposed

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surviving corporation shall, prior to such merger, consolidation or reorganization, agree in writing to assume the obligations of the Company under this Agreement, and thereafter references hereunder to "Registrable Securities" shall be deemed to be references to the securities that the Holders of the Registrable Securities receive in exchange for Registrable Securities under any such merger, consolidation or reorganization; PROVIDED, HOWEVER, that the provisions of this Agreement shall not apply in the event of any merger, consolidation or reorganization in which the Company is not the surviving corporation if all Holders of Registrable Securities are entitled to receive in exchange for their Registrable Securities consideration consisting solely of (i) cash, (ii) securities of the acquiring corporation that may be immediately sold to the public without registration under the Securities Act or (iii) securities of the acquiring corporation that the acquiring corporation has agreed to register within 90 days of the completion of the transaction for resale to the public pursuant to the Securities Act.

4.3. RULE 144.

For so long as any Holder holds Registrable Securities and the Company is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT"), the Company covenants that it will timely file the reports required to be filed by it under the Securities Act or the Exchange Act (including, but not limited to, the reports under Sections 13 and 15(d) of the Exchange Act referred to in subparagraph (c)(1) of Rule 144 under the Securities Act), and will take such further action as any Holder of Registrable Securities may reasonably request, all to the extent required from time to time to enable such Holder to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by (i) Rule 144 under the Securities Act, as such Rule may be amended from time to time, or (ii) any similar rule or regulation hereafter adopted by the Commission.

4.4. NOMINEES FOR BENEFICIAL OWNERS.

If Registrable Securities are held by a nominee for the beneficial owner thereof, the beneficial owner thereof may, at its option, be treated as the Holder of such Registrable Securities for purposes of any request or other action by any Holder or Holders of Registrable Securities pursuant to this Agreement (or any determination of any number or percentage of Ordinary Shares constituting Registrable Securities held by any Holder or Holders of Registrable Securities contemplated by this Agreement); provided that the Company shall have received assurances reasonably satisfactory to it of such beneficial ownership.

4.5. AMENDMENTS AND WAIVERS.

This Agreement may be amended, modified, supplemented or waived only upon the written agreement of the party against whom enforcement of such amendment, modification, supplement or waiver is sought.

4.6. NOTICES.

Except as otherwise provided in this Agreement, notices and other communications under this Agreement shall be in writing and delivered personally, by telecopy (with confirmation sent

within three business days by overnight courier) or by overnight courier, addressed to such party at the address set forth below:

(i) if to the Company, to:

Nice Systems Limited
8 Hapnina Street
Ra'anana 43107
Israel

with a copy to:

Brown Raysman Millstein Felder & Steiner LLP
900 Third Avenue
New York, NY 10022
Telecopy: (212) 895-2900
Attn: David M. Warburg, Esq.

(ii) if to the Initial Holder, to:

Thales SA
173 Boulevard Haussmann
Paris
France (75008)

with a copy to:

Fried, Frank, Harris, Shriver & Jacobson
Suite 800
1001 Pennsylvania Ave., NW
Washington, DC 20004
Telecopy: (202) 639-7004
Attn: Andrew P. Varney, Esq.

Each Holder, by written notice given to the Company in accordance with this Section 4.6 may change the address to which such notice or other communications are to be sent to such Holder. All such notices and communications shall be deemed to have been received on the date of delivery thereof, if delivered by hand, on the fifth day after the mailing thereof, if mailed, on the next day after the sending thereof, if by overnight courier, when answered back if telexed and when receipt is acknowledged, if telecopied.

4.7. MISCELLANEOUS.

(a) This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and the respective successors and assigns of the parties hereto, whether so expressed or not. No Person other than a Holder shall be entitled to any benefits under this Agreement, except as otherwise expressly provided herein. This Agreement and the

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rights of the parties hereunder may be assigned by any of the parties hereto to any transferee of Registrable Securities, provided that such transferee agrees in writing to be bound by this Agreement and the transfer restrictions set forth in Schedule 11 to the Sale and Purchase Agreement in respect of such Registrable Securities.

(b) This Agreement (with the documents referred to herein or delivered pursuant hereto) embodies the entire agreement and understanding between the parties hereto and supersedes all prior agreements and understandings relating to the subject matter hereof.

(c) This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of New York without giving effect to the conflicts of law principles thereof.

(d) The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof. All Section references are to this Agreement unless otherwise expressly provided.

(e) This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

(f) Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction.

(g) It is hereby agreed and acknowledged that it will be impossible to measure in money the damages that would be suffered if the parties fail to comply with any of the obligations herein imposed on them and that in the event of any such failure, an aggrieved person will be irreparably damaged and will not have an adequate remedy at law. Any such person shall, therefore, be entitled to injunctive relief, including specific performance, to enforce such obligations, without the posting of any bond and if any action should be brought in equity to enforce any of the provisions of this Agreement, none of the parties hereto shall raise the defense that there is an adequate remedy at law.

(h) Each party hereto shall do and perform or cause to be done and performed all such further acts and things and shall execute and deliver all such other agreements, certificates, instruments, and documents as any other party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

4.8. NO INCONSISTENT AGREEMENTS; SECURITIES REMAIN SUBJECT TO OTHER CONTRACTUAL RESTRICTIONS.

Neither the Company nor any Holder has, prior to the date of this Agreement entered into, or will, on or after the date of this Agreement enter into, any agreement with respect to its securities which is inconsistent with the rights granted in this Agreement or otherwise conflicts

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with the provisions hereof. Notwithstanding this Agreement and the effectiveness of any Shelf Registration Statement, the Holder acknowledges that pursuant to the terms of the Sale and Purchase Agreement, the ADSs and Ordinary Shares issued to the Holder are subject to certain restrictions on transfer pursuant to Schedule 11 to the Sale and Purchase Agreement, including prohibitions on any transfers within the first year following their issuance, limitations on transfers in subsequent periods, and limitations on the manner of sale (including pricing) of ADSs and any American Depositary Receipts representing ADSs, and that such restrictions shall apply, in accordance with the terms of the Sale and Purchase Agreement to sales or other transfers proposed to be effected pursuant to any Shelf Registration Statement.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date set forth above.

NICE SYSTEMS LIMITED

By: /s/ Lauri HAnover
Name: Lauri Hanover
Title: Chief Financial Officer

THALES SA

By: /s/ John Hughes
Name: John Hughes
Title: Executive Vice President

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Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

MANUFACTURING OUTSOURCING AGREEMENT

This Manufacturing Outsourcing Agreement (The "AGREEMENT") is entered into on January 21st, 2002, by and between Nice Systems Ltd., an Israeli registered corporation no. 52-0036872 having its place of business at 8 Hapnina Street, P.O.B 690, Ra'anana 43107, Israel, ("NICE") and Flextronics Israel Ltd., an Israeli registered corporation no. 51-2933045, having its place of business at 1 Hatasiya Str., Ramat Gabriel Industrial Zone, Migdal Haemek 23108, P.O.Box 867, Israel (the "CONTRACTOR"). NICE and Contractor are collectively referred to as the Parties.

RECITALS

WHEREAS NICE issued a request for information ("RFI") version A.2 dated June 17th, 2001 to a number of manufacturers seeking to provide NICE with certain local Manufacturing Outsourcing Services (as defined hereinafter) for the production, testing and delivery in world class quality and capability of NICE' Products, on a turnkey basis, to acquire from NICE inventory related to the operations to be outsourced, and to contract with certain of the contractors performing portions of the remainder of work or to accept assignment of such contracts, all as detailed herein;

WHEREAS the RFI was followed by a request for proposal including a detailed Statement of Work including Exhibits dated 13.8.01 (the "RFP");

WHEREAS the Contractor submitted a proposal in response to the RFI and RFP (together the "PROPOSAL" or the "CONTRACTOR'S PROPOSAL");

WHEREAS the bidding process resulted in the selection of Contractor, which represented that it possessed the necessary skills, staffing, experience, resources, and capabilities to provide those certain Manufacturing Outsourcing Services detailed herein in world class quality, capability and manner as set forth herein;

WHEREAS the Parties have completed the pre-contract due diligence, and now wish to contract for the provision of the Manufacturing Outsourcing Services;

NOW THEREFORE, FOR AND IN CONSIDERATION OF THE AGREEMENTS OF THE PARTIES SET FORTH BELOW, NICE AND CONTRACTOR AGREE AS FOLLOWS:

A. DEFINITIONS. The following terms shall have the meanings set forth below:

(i) "RFI" - shall have the meaning ascribed in the preamble above.

(ii) "RFP" - shall have the meaning ascribed in the preamble above.

(iii) "SOW" - Statement of Work document attached to the RFP and forming an integral part thereof including its Exhibits.

(iv) "CONTRACTOR'S PROPOSAL" or "PROPOSAL" - shall have the meaning ascribed in the preamble above. It is clarified that for the purpose of Contractor's Proposal in response to the RFI, Contractor hereby declares that such Proposal was valid and correct at the date submitted in all material aspects which are relevant to NICE' decision to choose Contractor as the Manufacturing Outsourcing Services supplier.

(v) "PRODUCTS" - Digital recording products as defined in APPENDIX A and further detailed in the PDM System, and as shall be amended from time to time by NICE and manufactured by Contractor in accordance herewith.

(vi) "MANUFACTURING OUTSOURCING SERVICES" - Certain turnkey based purchasing, manufacturing, testing, configuration and delivery services for the Products all as detailed in the Agreement and its Appendices and Exhibits, including but not limited to: purchase of the Product's components which are not supplied by NICE, assembly and production of the Products subject to supervision, control and planning by NICE, execution of Measurements and Procedures, response times, providing infrastructure and resources, allocation of the required manpower, use of the Non Generic Equipment, execution of engineering and integration process, Engineering Changes, integration of NICE Software, implementation of Control and Planning, Engineering Changes and Change Order procedures, packaging requirements, dismantling and disassembly of Products procedure, spare part mechanism, quality control requirements, logistics management including inventory management, adjusting and meeting forecasts, components purchasing procedure, supplies and shipment schedules, issuing orders procedure, preparing export shipments, all of world class quality and capability and as provided herein, on a turnkey basis, and acquisition from NICE of certain inventory related to the operations to be outsourced, and to contract with certain of the contractors supplying components and/or performing portions of the remainder of work or to accept assignment of such contracts, all as detailed herein.

(vii) "NICE SOFTWARE" - Dedicated software developed by NICE and/or for NICE, in which all Intellectual Property (as defined below) is owned by NICE.

(viii) "PERSONNEL" - Contractors' employees, subcontractors, subcontractor's employees and any other person acting on behalf of Contractor.

(ix) "AFFILIATE" - A corporation, partnership or other business entity which controls, is controlled by, or is under common control of a Party. For the purposes hereof, "CONTROL" shall mean the holding of more than 50% of the voting rights in the entity in question.

(x) "CUSTOMER/S" - NICE distributors, resellers, VAR's (value added resellers), OEM's and similar business partners and/or end-users, which purchase the Products.

(xi) "NICE PROPRIETARY INFORMATION" - Any and all data and information disclosed by NICE to the Contractor during the term of this Agreement in any form, whether verbally, in writing or in machine readable form or in magnetic media, relating to the business, manufacturing, know-how, Products, NICE Software, any other products, items, components and affairs of NICE including its Affiliates, and including without limitation - documents, prototypes, samples and the NICE' plants and equipment, Products, certain proprietary and confidential information concerning NICE' past, present and future research, development and business activities and the results therefrom, including but not limited to digital recording solutions, applications and services technology. Proprietary Information may also include information disclosed to NICE by third parties. Proprietary Information shall not include data and information which: (i) was or will be, independently of this Agreement, lawfully in the possession of the Contractor without breach of obligation of secrecy of Contractor to NICE, and/or (ii) was or will be, independently of this Agreement, lawfully in the possession of the Contractor without breach of obligation of secrecy of a third party to NICE, or (iii) was in the public domain or was common knowledge at the time of receipt by the Contractor; or (iv) following its disclosure to the Contractor as the receiving Party, has, through no fault on the part of the Contractor, subsequently become part of the public domain or is common knowledge; or (v) is required to be disclosed by the Contractor to comply with applicable laws or governmental regulations, provided that the Contractor provides prior written notice of such disclosure to NICE and takes reasonable and lawful actions, at NICE' expense, to avoid and/or minimize the extent of such disclosure.

"CONTRACTOR'S PROPRIETARY INFORMATION" - data and information disclosed by Contractor to NICE during the term of this Agreement in any form, whether verbally, in writing or in machine readable form or in magnetic media, relating to the business, manufacturing methods, know-how, systems, price lists, suppliers lists and terms of engagement with suppliers, of Contractor including its Affiliates, and including without limitation documents, and the Contractor's plants and equipment, all information disclosed under audits under this Agreement. Contractor's Proprietary Information may also include information disclosed to Contractor by third parties. Contractor's Proprietary Information shall not include data and information which: (i) was or will be, independently of this Agreement, lawfully in the possession of NICE

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without breach of obligation of secrecy to Contractor, and/or (ii) was or will be, independently of this Agreement, lawfully in the possession of NICE without breach of obligation of secrecy of a third party to Contractor, or (iii) was in the public domain or was common knowledge at the time of receipt by NICE; or (iv) following its disclosure to NICE as the receiving Party, has, through no fault on the part of NICE, subsequently become part of the public domain or is common knowledge; or (v) is required to be disclosed by NICE to comply with applicable laws or governmental regulations, provided that NICE provides prior written notice of such disclosure to Contractor and takes reasonable and lawful actions, at Contractor's expense, to avoid and/or minimize the extent of such disclosure.

(xii) "INTELLECTUAL PROPERTY" - Trademarks, trade names, logos, domain names, designs, patents, copyrights, inventions, discoveries, technology, know-how, trade secrets, confidential and proprietary information and mask works, all registrations and applications for any and all renewals, reissuances and extensions of, and all goodwill in, the foregoing.

(xiii) "PURCHASE ORDER/S" or "PO/'S"- A NICE purchase order ordering manufacture and supply of the Products, issued in accordance herewith.

(xiv) "TOTAL LEAD TIME" - The Purchase Lead Time, Sub Assembly Lead Time and Production Lead Time together.

(xv) "PURCHASE LEAD TIME" - The maximum agreed time for purchase of components by Contractor in order to enable production and completion of a Product until the Due Date, being the total of the time required for ordering and delivering all relevant components to Contractor from Contractor's suppliers, subject to the Liability. The initial Purchase Lead Time for each component (including sub-assembly purchased from suppliers) will be as detailed in APPENDIX C and shall be reviewed and updated as necessary by the parties each Quarter during the duration of this Agreement according to the procedure detailed in this Agreement. The new Purchase Lead Time shall need to be agreed to by both parties, and, once agreed, shall be the binding Purchase Lead Time for the relevant components. The parties will also agree on the Purchase Lead Time regarding each new component to be included in a Product.

(xvi) "SUB ASSEMBLY LEAD TIME" - The maximum agreed time for completion of sub-assemblies in order to enable production and completion of a Product until the Due Date, beginning at the end of the Purchase Lead Time for all relevant components and ending on successful completion of testing of the relevant sub-assemblies. The initial Sub Assembly Lead Time for each sub-assembly will be as detailed in APPENDIX C and shall be reviewed and updated as necessary by the parties each Quarter during the duration of this Agreement according to the procedure detailed in this Agreement. The new Sub Assembly Lead Time shall need to be agreed to by both parties, and, once agreed, shall be the binding Sub Assembly Lead Time for the relevant Sub Assemblies. The parties will also agree on the Sub Assembly Lead Time regarding each new Sub Assembly to be included in a Product.

(xvii) "PRODUCTION LEAD TIME" - The agreed time for completion of a Product until its Due Date, meaning from commencement of assembly (from sub-assemblies if applicable) until successful completion of testing, which shall always be fourteen (14) Days from receipt of the PO.

(xviii) "ENGINEERING CHANGES" - Engineering change in the Product as detailed in Sections 3.10 and 3.11 to this Agreement.

(xix) "ECR" - Engineering Change Request issued by NICE or by Contractor.

(xx) "ECO" - Engineering Change Order issued by NICE at its discretion after an ECR, in accordance with Section 3.11 below.

(xxi) "CHANGE ORDERS" - Change or changes or amendments in a specific order excluding rescheduling of an order/prices and excluding ECO's, as further detailed in Section 3.5.

(xxii) "WARRANTY PERIOD" - Thirteen (13) months from the Shipment Date of the Product subject matter of the warranty, unless agreed otherwise by the parties in writing.

(xxiii) "BACKUP SITE" - Contractor's backup site and/or the third party site, as detailed in APPENDIX G and in Section 2.9 below, designed to be operated in the event of force majeure or other event preventing the performance of the Manufacturing Outsourcing Services at Contractor's plant and to ensure an alternate facility with equivalent standards and availability.

(xxiv) "DUE DATE" - The date of completion of the Product after completion of all quality and integration tests as detailed for each Product including in APPENDIX J and its classification as "finished goods" according to the date detailed in the relevant NICE Purchase Order, issued in accordance with this Agreement.

(xxv) "SHIPMENT DATE" - the date of delivery of Products, properly packed (i.e. in accordance with this Agreement), including all documents required for the export of Products, to the NICE designated freight forwarder at Contractor's Location, which may be any time after the Due Date as determined by NICE, but not to exceed sixty (60) Days from the Due Date.

(xxvi) "DAY" or "DAYS" - Calendar days unless specific reference is made to "Business Days".

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(xxvii) "BUSINESS DAYS" – Sunday to Thursday, excluding holidays. Holiday eves shall be regarded as half a business day.

(xxviii) "QUARTER" – a calendar quarter.

(xxix) "EFFECTIVE DATE" – January 21st, 2002

(xxx) "LIABILITY " – components and sub-assemblies for which Contractor has an option of cancellation and/or rescheduling without liability, as detailed in APPENDIX C regarding each component and sub assembly. The cancellation window for VMI (Vendor Management Inventory) Components varies between 0 to 35 Days from ordering by Contractor.

(xxxi) "NON GENERIC EQUIPMENT" – functional testing equipment and any equipment related thereto.

(xxxii) "PDM SYSTEM" – NICE' engineering system (PDM) to which Contractor shall be granted access for the purpose of performance of this Agreement and whose contents shall be binding and constitute an integral part of this Agreement, subject to Section 17.1. The contents of the PDM System as at the date hereof which are not governed by Section 17.1 may only be changed further to an ECO issued in accordance herewith.

B. INTERPRETATIONS

As used in this Agreement:

(i) The terms and expressions set out in Section "A" shall have the meanings ascribed therein.

(ii) The preamble and Appendices and Schedules form an integral part of this Agreement.

(iii) The masculine includes the neuter and the feminine; and the singular includes and plural and vice versa.

(iv) A reference to any statute, enactment, order, regulation or other similar instrument shall be construed as a reference to the statute, enactment, order, regulation or instrument as amended by any subsequent statute, enactment, order, regulation or instrument or as contained in any subsequent re-enactment thereof.

(v) Headings are included in this Agreement for ease of reference only and shall not affect the interpretation or construction of this Agreement.

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(vi) References to Sections, Schedules, Appendices and Exhibits are, unless otherwise provided, references to sections, schedules, appendices and exhibits to this Agreement.

(vii) In the event certain provisions incorporated in the Agreement are contradictory VIS-A-VIS other provisions incorporated in the Appendices and Schedules, the Agreement shall prevail.

(viii) In the event certain provisions incorporated in the Appendices and Schedules are contradictory VIS-A-VIS other provisions incorporated therein, the specific provisions shall take precedence over the general provisions.

C. APPENDICES AND SCHEDULES

(i) Appendix A - Products;

(ii) Appendix B - The Proposal;

(iii) Appendix C - Prices, Purchase and Sub-Assembly Lead Time, cancellation windows, rescheduling period, minimum order, package quantity, labor costs, disassembly fees, Product prices, cancellation fees, ECR and ECO administrative costs [a new version to be completed within a month of signature of the Agreement and thereafter updated in accordance with this Agreement];

(iv) Appendix D - Insurance Certificate;

(v) Appendix E - Non Disclosure Undertaking;

(vi) Appendix F - NICE Inventory purchased by Contractor for the first Quarter (NICE Inventory purchased by Contractor for the second Quarter will be added as an addition to Appendix F at a later date);

(vii) Appendix G - Back Up Site;

(viii) Appendix H - Safety, Security & IT Requirements;

(ix) Appendix I - Spare Parts / Upgrade;

(x) Appendix J - Quality Assurance Requirements;

(xi) Appendix K - NICE Products release policy;

(xiv) Appendix N - RMA Process.

1. MANUFACTURING OUTSOURCING SERVICES

1.1. SCOPE OF WORK. During the term of and subject to this Agreement, Contractor shall perform the Manufacturing Outsourcing Services including purchase, assemble, manufacture, configure, test and deliver to NICE' freight forwarder in Contractor's facility, under the terms set forth below, and NICE shall purchase from Contractor, and Contractor shall sell to NICE, such quantities of units of the Products according to NICE' Purchase Orders, from time-to-time as detailed below, at the quoted prices set forth in Appendix C. This Agreement or any provision thereof shall not be interpreted as granting Contractor any exclusive rights in respect of the Manufacturing Outsourcing Services or any similar services outsourced by NICE, and shall not prevent NICE, at its sole discretion, from contracting with any third party for such services, subject to the provisions of this Agreement. Notwithstanding anything to the contrary in the Agreement or elsewhere, including NICE' confidentiality obligations towards Contractor, but without derogating from NICE' obligations hereunder, this Agreement shall in no way be construed as preventing NICE from performing the Manufacturing Outsourcing Services or part thereof by itself and/or through others, whether during the term of this Agreement or thereafter.

1.2. Contractor's obligations to execute the Manufacturing Outsourcing Services pursuant to this Agreement shall commence on the Effective Date, subject to the following provisions:

1.2.1. OUTSOURCING TRANSITION - NICE intends to outsource part of its manufacturing activities to the Contractor, in 3 phases: (1) Training and Authorization, (2) Relocation and (3) Manufacturing Outsourcing Services, as described in this Agreement.

1.2.2. INFRASTRUCTURE. For the execution of this Agreement and the Manufacturing Outsourcing Services, Contractor will set up and establish specific infrastructure including an exclusive area in its production facility as detailed herein. Contractor shall assemble its own workstations using its generic equipment and the Non Generic Equipment to be provided by NICE in good working order. The maintenance of the Non Generic Equipment and keeping it in good working order, except normal wear and tear, shall be Contractor's responsibility, at Contractor's expense. NICE shall have the right to object on reasonable grounds to any material change of the manufacturing facility for any Product.

1.2.3. RELOCATION- Contractor will complete the Relocation process including preparation of production lines

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that will be able to ensure the production capacity according to NICE' forecasts as detailed herein. The completion of the Relocation stage shall be on time in order to enable compliance with the Forecast submitted to Contractor prior to signature of this Agreement and shall be subject to the Control of NICE, without relieving Contractor from its responsibilities hereunder. Upon NICE' approval that the Relocation stage has been completed to its satisfaction, which approval shall not be unreasonably withheld, the Contractor shall commence the Manufacturing Outsourcing Services.

1.2.4. RESOURCES, PERSONNEL, PROJECT MANAGER. Contractor will be responsible for the required resources in order to comply with its undertakings hereunder and to deliver the Manufacturing Outsourcing Services as detailed hereunder. Contractor will perform the Manufacturing Outsourcing Services using only skilled, qualified and experienced personnel to the extent required for the purpose of performing its undertakings pursuant to this Agreement, to be trained and authorized, according to NICE' requirements. Contractor shall not replace at its initiative key Personnel during the duration of this Agreement, to the extent such replacement shall materially impair its ability to perform in compliance herewith and any such replacement shall take place only after consultation with NICE. It is agreed for the purpose hereof, that frequent replacement of key personnel shall be deemed as materially impairing Contractor's ability to perform hereunder. NICE may reject on reasonable grounds any such key personnel employed by Contractor in the performance of its obligations hereunder, and they shall be replaced by Contractor promptly following NICE' first reasoned request. Such personnel shall abide by all of NICE' security, data protection and safety requirements and policies as indicated from time to time by NICE in writing according to Section 17.1.

TheContractor will appoint a dedicated Project Manager who will coordinate with NICE' representative and serve as a single point of contact for NICE in all aspects pertaining to this Agreement. The project manager will not be replaced at Contractor's initiative during the duration of this Agreement to the extent such replacement shall

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materially impair Contractors ability to perform in compliance herewith and any such replacement shall take place only after consultation with NICE. It is agreed for the purpose hereof, that frequent replacement of Contractor's Project Manager shall be deemed as materially impairing Contractor's ability to perform hereunder. The project manager will meet with NICE' representative on a regular basis.

1.2.5. CONTROL AND PLANNING. Without derogating from the aforesaid, Contractor will provide NICE with control capability of the production. NICE shall be entitled to be involved in the planning and establishment of the working environment for all Product lines at the Contractor's premises. Contractor will provide NICE with reports on a daily/ weekly/ monthly basis, as follows: the reports will present all relevant details regarding the production orders, time between phases, disassembled Products, schedules, logistics reports, etc. The reports provided will present all said data in a clear manner and will include graphic presentations. The reports will enable NICE to verify that all systems are matched and to verify the improvement that is achieved by Contractor. All said reports shall need to be agreed in advance by both Parties.

1.2.6. SUPERVISION AND MONITORING. NICE shall be entitled but not obligated, to supervise and monitor the execution of this Agreement from time to time as set forth herein. NICE shall be entitled, upon prior coordination, to visit any place where the Manufacturing Outsourcing Services are being performed including Contractor's plant/s and to review samples of components and Products. As a result of such supervision, NICE may propose improvements and increase in efficiency in the Manufacturing Outsourcing Services and the Parties will discuss such proposals and their affect on this Agreement. Without derogating from the generality of the aforementioned, any supervision and monitoring rights granted to NICE hereunder are merely intended to secure performance of this Agreement according to its terms and shall not relieve Contractor from its responsibilities hereunder according to this Agreement or impose any responsibility or liability upon NICE which is not explicitly detailed in this Agreement.

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1.2.7. MEASUREMENTS AND PROCEDURES. Contractor will execute all the production stages required for a Product according to NICE' Production File for the particular Product, included in the PDM System.

1.2.8. QUALITY ASSURANCE REQUIREMENTS. The Manufacturing Outsourcing Services performed by Contractor shall be executed according to and comply with all quality control requirements and specifications described in APPENDIX J. Without derogating from Contractor's responsibility as aforementioned, NICE reserves the right to execute quality assurance inspection on Contractor's premises, all as described in APPENDIX J and according to the terms hereof.

1.2.9. BACK-UP SITE. Contractor will ensure the availability of the Back-up Site according to the terms of this Agreement. Attached as APPENDIX G to this Agreement is the undertaking of Flextronics, Inc., North Carolina for a Back Up Site in North Carolina, USA and a transition plan for its operation.

1.2.10. STEERING COMMITTEE. The Parties will appoint a steering committee which shall monitor the execution of this Agreement, comprised of Contractor's project manager, NICE' representative, and relevant personnel of the Parties.

2. COMPONENTS PURCHASING, NICE COMPONENTS AND INVENTORY.

2.1. COMPONENTS PURCHASING. Upon transition to the third phase - Production, the Contractor will be responsible for all purchasing of components and getting equipped with all the materials necessary for the assembly of the Products (except the Non Generic Equipment). At NICE' request, and without derogating from any other provisions of this Agreement, Contractor shall promptly notify NICE, in writing, who are the suppliers of any specific components and under what agreements purchase is effected.

2.2. CONTRACTOR PURCHASE AGREEMENTS. Without derogating from the aforementioned, NICE may, at its sole discretion, decide to be involved and to actively or inactively, participate in negotiations and purchasing agreements of Contractor for components designated for production hereunder. In such event, Contractor will comply with NICE' requirements and instructions and contract accordingly, without imposing any liability on NICE, provided such instructions

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are in accordance with common purchasing practice and in accordance with this Agreement. NICE may, at its election, instruct Contractor not to purchase a relevant component from a specific supplier, provided an alternative supplier exists. APPENDIX C shall be updated accordingly. At NICE' request, Contractor shall notify any relevant supplier that it is purchasing components for NICE Products and shall further furnish the supplier with information requested by such supplier. In any event, Contractor shall report to NICE on its purchasing negotiations and achievements and shall supply NICE, at NICE' request, with a copy of all relevant existing documentation.

2.3. FLEXTRONICS, INC. GLOBAL PURCHASE AGREEMENTS. Nevertheless, in the event that the purchase agreement is signed by Flextronics, Inc. as a global purchase agreement for the Flextronics group, and not as a local agreement of Contractor or as an agreement applying to NICE required components only, then NICE will not participate in the negotiations and will not be entitled to receive copies of such agreement/s. The details relevant to the components purchased under an agreement as above will be included in APPENDIX C and Contractor hereby declares and undertakes that the details included in APPENDIX C (as amended from time to time according to the provisions of this Agreement) shall be the accurate details from the Flextronics, Inc. global purchase agreements and components and sub assembly prices in APPENDIX C shall be net purchase prices of Contractor without any overhead or uplift. NICE shall be entitled, at its sole discretion, to object in advance to Contractor using any Flextronics, Inc. global purchase agreement and in such event, Contractor shall purchase the components separately, the provisions of Section 2.2. shall apply and APPENDIX C shall be updated accordingly. Contractor undertakes to comply with NICE' instructions and the manufacturer license terms regarding the use and duplication of Microsoft and other third party software supplied by NICE and not to use such software products for any purpose other than in the assembly of the Products. Contractor will copy from the master CD of those software products only the exact number of licenses designated by NICE in writing and for which a license has been issued by NICE.

2.4. NICE DESIGNATED COMPONENTS. NICE may request Contractor to purchase specific components from specific suppliers, provided that the terms of such suppliers are in accordance with common purchasing practices and APPENDIX C shall be updated accordingly.

When purchasing components for Contractor's other customers, Contractor may not represent itself to the suppliers as a NICE outsourcer for the purposes of such purchase.

2.5. NICE SUPPLIED COMPONENTS. NICE may, at its election, supply to Contractor software licenses and software or the like for which NICE has an existing royalty agreement with a third party (except electrical and mechanical components unless agreed otherwise), in lieu of Contractor purchasing same ("NICE COMPONENTS"). All

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such components will be delivered to Contractor in a mutually agreed package type, and in an agreed upon time and in agreed upon quantities. The parties will agree on the inventory level required by Contractor for each NICE Component and NICE' sole responsibility shall be to renew the inventory upon request. Contractor shall be responsible for ordering additional NICE Components if required above the inventory level and for ensuring that appropriate physical controls of such components are in place and properly administered. Contractor will not charge NICE any charges or overhead for such NICE Components. In the event Contractor has difficulty in purchasing any components which NICE can obtain and NICE has granted its consent to supply such component to Contractor in lieu of Contractor purchasing same, Contractor will not charge NICE any charges or overhead for such Components.

2.6. INVENTORY MANAGEMENT AND USE OF EXISTING INVENTORY. All purchasing of inventory, use of inventory, and management of inventory shall be performed by Contractor according to this Agreement, and APPENDIX C.

2.7. EXISTING NICE INVENTORY. Furthermore, Contractor will purchase from NICE its existing inventory of components available for use in Products for up to six (6) months on a rolling basis, as detailed in APPENDIX F, all of which will be transferred to Contractor's facility on the purchase date, all as detailed hereunder: On the Effective Date Contractor will purchase the inventory included in part I of APPENDIX F. Regarding the remainder of the inventory included in part II of APPENDIX F the following will apply: at the beginning of the first production Quarter hereunder Contractor will purchase the components required under the Forecast issued by NICE for that Quarter regardless of the Total Lead Time for such components; at the beginning of the second production Quarter hereunder Contractor will purchase the components required under the Forecast issued by NICE for that Quarter regardless of the Total Lead Time for such components; Contractor will purchase any components remaining in APPENDIX F after two Quarters as aforementioned, on a current basis as required under the Forecast issued by NICE for the following Quarters but in compliance with the Total Lead Time for such components. Contractor will use said NICE' inventory for the production of the Products rather than purchase such components from third parties, until full use of all NICE inventory. Contractor shall pay NICE the purchase price of such components, as set forth in APPENDIX C hereto, and under payment terms as set forth in Section 8.4. When sold to NICE as part of aProduct, the component prices paid by NICE to Contractor hereunder will be calculated with a reduced overhead of 2%. NICE will and does hereby provide Contractor with all such warranties with respect to the components sold thereby as is required from Contractor under this Agreement with respect to the same components. Furthermore, without derogating from NICE' undertakings hereunder, Contractor will use its international supply chain in order to assist NICE in selling its dead inventory, which is not included in APPENDIX F, and the proceeds from such sales will be shared as follows: 10% Contractor, 90% NICE. Contractor will report to NICE regularly, on such sales.

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2.8. COMPONENT END OF LIFE. Contractor shall take all necessary measures in order to receive immediate updates from its suppliers regarding end of life of any component (i.e types of components which shall no longer be manufactured). Contractor shall notify NICE immediately upon becoming aware of the event of end of life of a component. In such event, NICE shall designate and approve the replacement components to be used instead and the Parties will mutually agree on the required changes in APPENDIX C.

2.9. COMPONENTS FOR NICE INTERNAL REQUIREMENTS. Contractor will occasionally provide services in order to help NICE to obtain components for NICE' internal requirements. Contractor will allow NICE to purchase reasonable quantities from its available inventory at a price agreed in advance, and will help NICE to obtain components from manufacturers/suppliers at the lowest available price (in the case where the components in question are not in the Contractor's inventory).

2.10. It is clarified that nothing in this Agreement shall prevent NICE from contracting directly with Contractor's suppliers and vendors in any agreement, or from purchasing identical components, whether during this Agreement or following its termination or expiration.

3. ORDERING AND OTHER MATTERS

3.1. FORECASTS. NICE shall give Contractor a written forecast of the Products, by type, quantity and expected Due Date (the "FORECAST") as follows: A Forecast shall be a rolling forecast for the current Quarter and the two (2) consecutive Quarters, detailed by week. Upon the Effective Date, NICE shall deliver a Forecast for the period commencing on the expected completion of the Relocation Phase for the first Product, for the current Quarter and for the next coming two Quarters and so on thereafter during the term of this Agreement. The Forecast may be updated by NICE on a weekly basis, or more frequently (at NICE' discretion).

A Forecast will not be deemed to constitute a binding purchase order with respect to Products (as opposed to components and sub-assemblies, as set forth in Sections 3.4, 16 and 17.5 of this Agreement). Contractor will manufacture the quantities of Products only according to specific orders and the Production Lead Time. The

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Parties' responsibilities and undertakings arising from NICE' Forecast shall be according to APPENDIX C as amended from time to time according to the provisions of this Agreement. Liability reports will be submitted by Contractor on the 1st of each calendar month and will need to be approved by NICE. It is clarified for the avoidance of doubt, that in any event, any and all purchase obligations of NICE with respect to Products (as opposed to components and sub-assemblies) are limited in any given time during the term of this Agreement, to the PO's only.

Contractor (with NICE' participation) will implement, at its own expense, a full process of Demand Flow Technology, including: (I) Product Synchronization; (II) Sequence of Events; (III) Mix Model; (IV) Demand of Capacity & Take Time; (V) Operations grouping; (VI) Line Design & Balancing. This process will help to determine the Sub Assembly Lead Time and the Production Lead Time. It is clarified that any change in the Production Lead Time detailed in this Agreement shall require NICE' prior written approval; any change in the Sub Assembly Lead Time detailed in this Agreement as a result of which the maximum Sub Assembly Lead Time for the relevant sub-assembly exceeds 30 Days, shall require NICE' prior written approval.

3.2. PURCHASE ORDERS AND ISSUING ORDERS. NICE shall, from time-to-time, issue to Contractor a Purchase Order, according to the Forecast, for Products, by type, quantity and Due Date, as and when it desires to order Products. PO's will be issued at least two (2) weeks prior to the designated Due Date. Each and every order will be entered in NICE' logistic system as a Sales Order. Every Product shall be manufactured according to the Production Lead Time. Commencement of assembly shall be based on Production Lead Times (as per Section A (xvii)) and calculated to meet NICE' delivery requirements. It is clarified that delivery and shipment of Products and NICE' obligation to pay for Products shall only be according to a PO.

Purchase Orders for Products (and Forecasts for Products) may be delivered to Contractor by any reasonable means, including but not limited to e-mail, computerized systems, etc., postal delivery, courier delivery, facsimile transmission, as shall be notified by NICE in writing and in advance of any relevant PO. For the removal of doubt, a PO shall not be binding upon Contractor until Contractor has confirmed in writing receipt of the PO. Contractor shall, within two Business Days of its receipt of a Purchase Order, accept or reject such Purchase Order in writing; provided, however, that Contractor shall be obligated to accept all Purchase Orders issued in accordance with the terms hereof for Products with respect to which a price per the quantity ordered has been mutually agreed by the parties. Contractor undertakes that in the event of increase in Product requirements VIS-A-VIS the Forecast (i.e. issuance of PO's exceeding

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the relevant Forecast), Contractor's manufacturing capacity can be increased, at any time, by thirty percent (30%) beyond the then current Forecast. In addition, in as much as purchase of components and purchase of sub assemblies are concerned, NICE may order Products, which are not included in the Forecast, and Contractor will make its best reasonable commercial efforts to accommodate such order in accordance with NICE' request. It is clarified that in any event Contractor will accept all PO's exceeding the Forecast, subject to updating the Due Date based upon the Total Lead Time for obtaining the required components, which are not available in Contractor's inventory. The Due Date for such PO's will be determined according to the time of obtaining the components. For components/Products the prices for which are not previously agreed under APPENDIX C, the price will be agreed in writing prior to acceptance of the PO.

3.3. FORECAST REVIEW. The parties shall hold weekly meetings, in person, at NICE' facility or by conference phone call, for the purpose of discussing NICE' existing and contemplated Forecasts and order requirements and updating the Forecast; provided, however, only written Forecasts and Purchase Orders, or written modifications thereto, shall bind NICE and Contractor pursuant to the terms of this Agreement or otherwise. The parties, as business requirements dictate, may mutually agree upon the use of blanket purchase orders for specific sub-assemblies or components (exceeding the requirements under Forecasts), subject to the terms of this Agreement and such sub-assemblies or components purchased shall be deemed Permitted Components.

3.4. PERMITTED COMPONENTS. Contractor may make purchase commitments to suppliers and assemble components to sub-assemblies based upon the Forecasts received from NICE but subject always to the Total Lead Time, Liability and ABC policies of Contractor (which NICE will be entitled to review and comment on in advance of the relevant purchase). Contractor shall maintain inventory of Permitted Components (as defined below) for use during the Production Lead Time. NICE shall only be obligated to Contractor for components and sub-assemblies ordered and assembled by Contractor, in accordance with the Forecast and in compliance always with the Total Lead Time as detailed in APPENDIX C (as amended from time to time according to this Agreement) or otherwise for inventory of components purchased from NICE under Sections 2.7 or 3.4(A), or purchased in accordance with POs, ECO's or Change Orders ("PERMITTED Components"), as detailed hereunder. It is clarified that any Forecast updated following the purchase of Permitted Components will not affect their definition as Permitted Components, and NICE' obligations with respect thereto, subject to the Liability.

3.4(A) PURCHASE OF INVENTORY BY NICE.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

NICE will purchase from Contractor inventory of Permitted Components not required (in whole or in part) according to the Forecast for the Quarter immediately following the time at which such inventory is reviewed as detailed below (hereinafter: the "FIRST QUARTER") as detailed below. The following terms shall have the definitions ascribed thereto:

(i) DEAD INVENTORY - Permitted Components, the entire quantity of which is not required for assembly of Products in accordance with the Forecast.

(ii) SLOW MOVING INVENTORY - Permitted Components, which are required for assembly of Products for the two consecutive Quarters commencing immediately after the First Quarter, in accordance with the Forecast.

(iii) EXCESS INVENTORY - Permitted Components, which are required for assembly of Products only during the third Quarter after the First Quarter or thereafter, in accordance with the Forecast.

Three (3) days before the beginning of every Quarter, Contractor will issue a report of Dead, Slow Moving and Excess Inventory, and shall detail the price of each Permitted Component included in the report as specified in APPENDIX C, which report will need to be verified by NICE within 2-3 days. Inthe event that in any Quarter, the Dead Inventory, Excess Inventory and Slow Moving Inventory together exceed 15% of the Monthly Consideration (as defined below), NICE will purchase such inventory exceeding 15% from Contractor one day before the beginning of the First Quarter, by payment of the price detailed in APPENDIX C including a surcharge of 4%. In calculating and determining the inventory falling within the said 15% (which shall not be purchased by NICE) the following priority shall apply: first - all Slow Moving Inventory, second (if not all 15% were covered) - all Excess Inventory, third (if not all 15% were covered) - Dead Inventory. The "MONTHLY CONSIDERATION" for the purpose hereof shall mean the total actual price due to Contractor from NICE hereunder for all Products during the preceding Quarter, divided by three (3).

The foregoing shall apply only as of Q3 2002 - July 1st 2002 (the first report of inventory as above shall be issued at the end of June 2002), and thereafter on a regular basis.

In the event NICE has purchased any Permitted Component from Contractor as detailed above, Contractor is obligated to repurchase such Permitted Component for production of the next Forecast which requires such Permitted Component in accordance with the relevant procedure of Section 2.7 above (Nice Existing Inventory), at the price sold to NICE by Contractor excluding the surcharge of 4%.

No other compensation or components protection will be provided by NICE except as explicitly detailed above or in Sections 16.7, 16.8 and 17.5 of this Agreement. Upon

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

payment of the aforementioned compensation for Permitted Components, such items shall become the property of NICE, and will be promptly delivered to NICE' facility in Israel, and, at NICE' election and expense, shall be delivered to another location in Israel identified to Contractor by NICE or, at NICE' direction, disposed of by Contractor (in any manner selected by Contractor). In any event, Contractor will make best reasonable commercial efforts to decrease levels of inventory of Permitted Components, by agreeing with its suppliers to decrease Purchase Lead Times to 1 - 2 weeks at the most.

3.5. CHANGE ORDERS. Throughout all the assembly phases of a Product during the Production Lead Time and any time before the Due Date, NICE may issue Contractor with a Change Order. The issuance of such Change Order and the execution by Contractor of such Change Order, shall be in accordance with the provisions hereunder. Upon issuance of a Change Order, Contractor will immediately execute it and the Product price shall change in accordance with APPENDIX C. The sole implication of a Change Order will be payment for additional direct labor costs as detailed in APPENDIX C. Replaced components and sub-assemblies will be returned to Contractor's inventory at no charge to NICE (without derogating from the specific provisions of this Agreement under which NICE is obligated to purchase Permitted Components). The Product price will be as after the implementation of the Change Order. For Change Orders issued prior to commencement of the Production Lead Time for any Product no charge will be incurred by NICE. Without derogating from the aforementioned, Contractor will not charge NICE for Change Orders during the first three (3) months of production.

3.6. RESCHEDULING OF RELEASED ORDERS. NICE may, at its discretion, reschedule delivery of units of Products for which a PO has already been issued, by shortening the Due Date, without any implication. In this respect, Contractor is aware that by the last three weeks of every calendar Quarter, a high level of flexibility is required to meet NICE' end of Quarter requirements. Contractor will perform its best reasonable commercial efforts to complete such rescheduled Products at the new requested Due Date. All such rescheduling shall be performed by sending Contractor a written request for rescheduling.

3.7. ORDERS ON HOLD. Prior to the Due Date, NICE may, at its discretion, place Products manufactured according to PO's on hold for a period not to exceed thirty (30) Days from the Due Date, without any implications, by giving a written notice to Contractor. Upon termination of such 30 Day period or earlier if requested by NICE in writing, the Products on hold will be deemed as cancelled and the provisions of Section 3.8 below shall apply.

3.8. CANCELLATION OF PURCHASE ORDERS. NICE may at its discretion, at any time, cancel, in whole or in part, PO's of Products issued

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

pursuant to this Agreement subject to the delivery of prior written notice, before the respective Due Date. Contractor, upon receipt of such written notice of cancellation, shall stop work on such units of Products if work has already commenced. Without derogating from any liability to pay for Permitted Components as set forth elsewhere in specific provisions this Agreement, NICE shall have no liability for cancellation of a PO prior to the Production Lead Time of the Product. For cancellation of a PO during the Production Lead Time and until the Due Date, NICE' liability for cancellation shall be limited to the following:

3.8.1. Payment of a fixed cancellation charge for all cancelled units of Products as specified in APPENDIX C. The fixed cancellation charge will be recalculated at the end of the first Quarter, based on the actual average time to disassemble a Product, as determined by Contractor and agreed to by NICE;

3.8.2. All the components/sub-assemblies will be returned to Contractor's inventory at no charge to NICE subject to and in accordance with the terms of this Agreement.

3.8.3. NICE shall not be responsible and shall not pay, in whole or in part, for Products manufactured outside the agreed Production Lead Time and/or without a written NICE Purchase Order.

3.9. Contractor shall use its best reasonable commercial efforts to minimize Change Order charges and cancellation charges by returning components for credit (with NICE' approval), canceling components on order and applying components to other Contractor projects (when possible, at the sole discretion of Contractor) and minimizing all work-in-process.

3.10. ENGINEERING CHANGE REQUESTS (ECR'S). NICE shall be entitled, at its sole discretion, from time to time to request any Engineering Change Requests for any Product and Contractor is obligated to propose ECR's to NICE when applicable at Contractor's opinion. Contractor will respond to all Engineering Change Requests initiated by NICE, according to the terms hereof. Contractor will give NICE written notice, within three (3) Business Days of receiving written notice of such ECR, of the date by which, and at what cost, such ECR could be implemented based on the pricing formula in APPENDIX C, and how the ECR effects existing PO's. Contractor will charge NICE for ECR's in accordance with APPENDIX C (an administrative cost of $25 per ECR of whatever size).

3.11. ENGINEERING CHANGE ORDERS (ECO'S). NICE may, at its discretion, issue ECO's based on Contractor's response to the ECR's or based on negotiated changes to Contractor's response. The administrative cost for an ECO shall be $50 per ECO. Engineering Change Orders effective dates (the date for completion of implementation

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of the ECO) shall be as agreed to by the parties and shall effect the relevant Lead Times and dates accordingly, as detailed in the ECO. Contractor shall approve every ECO issued as above within 2 Business Days. An ECO shall become binding on Contractor upon written confirmation of receipt thereby. Contractor shall not make any design changes or any other changes in the Products without the prior written consent of NICE as reflected in an ECO. The new Product price due to an Engineering Change Order, shall be determined in accordance with APPENDIX C. Contractor shall make all reasonable commercial efforts to minimize costs due to ECO's. Notwithstanding the aforementioned in Sections 3.10. and 3.11., NICE shall not be charged for the first $1,000 due to Contractor in any one month for ECR's and ECO's.

3.12. DISASSEMBLY OF PRODUCTS. From time to time, NICE may order Contractor to disassemble Products after the Due Date. Upon such request issued to Contractor, it shall promptly comply with the request. Dismantled components will be consigned to Contractor's inventory and stored in a special warehouse at Contractor's facility, at no charge to NICE (the "RETURNED COMPONENTS"). NICE will pay Contractor the original Product price and also a fixed fee for dismantling as detailed in APPENDIX C. Thereafter, Contractor will use the Returned Components first in the assembly of any Products until no inventory of Returned Components remains. Contractor will not charge NICE for any surcharge or overhead for use of Returned Components in a Product.

3.13. SPARE PART MECHANISM. In addition to producing Products hereunder, and in addition to Contractor's responsibilities under its warranty obligation hereunder which are included in the Product price as provided herein, Contractor will supply Spare Parts to Customers upon request, as detailed in APPENDIX I according to the applicable Production Lead Time. The price for spare parts shall be in accordance with APPENDIX C and shall be paid by NICE in accordance herewith.

4. SCOPE; NEW PRODUCTS

4.1. The scope of this Agreement refers to the Products currently detailed in APPENDIX A subject to the provisions of APPENDIX K. The Manufacturing Outsourcing Services will be performed by Contractor on a gradual basis as detailed hereinabove, and until full performance of the Manufacturing Outsourcing Services by Contractor for all Products.

4.2. Quotations by Contractor for new Products will be developed by NICE in coordination with Contractor subject to the mutually agreed upon pricing model set forth in APPENDIX C hereto. Other terms applicable to new Products shall be identical to those applicable to the current Products. Each such quotation requested by NICE shall be provided to NICE on an expeditious basis. Contractor shall develop a mutually agreeable quality program for each new Product. The provisions of APPENDIX K - NICE Systems Products Release Policy will apply to such new Products subject to the terms hereof.

5. DUE DATE

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

5.1. Contractor shall target 100% on time delivery in compliance with the Due Date. Contractor's performance regarding the Due Date shall constitute a material obligation, and is an essential element in this Agreement.

5.2. DELAYS. Immediately upon learning of any possible delays, Contractor will notify NICE as to the cause and extent of such delay. Contractor shall at once, exercise its best reasonable commercial measures to minimize the possible delay, at no additional cost to NICE. Such measures may include, inter alia, acceleration of payments to Contractor's vendors if necessary.

5.3. LIQUIDATED DAMAGES. Any delay from the Due Date of a certain Product in a certain Quarter, not due to a specific written request by NICE or otherwise deriving from a breach of NICE' undertakings hereunder and only to the extent deriving from such breach by NICE, or caused by an event of Force Majeure, and subject to the terms hereof, shall be considered a material breach of Contractor's obligations under this Agreement and shall entitle NICE to the following liquidated damages in addition to any remedy available to NICE under this Agreement or by law:

5.3.1. One percent (1%) of the Product Price for a delay of 3 to 5 Days.

5.3.2. Three percent (3%) of the Product Price for a delay of up to 10 Days.

5.3.3. Five percent (5%) of the Product Price for a delay of 11 Days or more.

5.3.4. For the removal of doubt, when determining the liquidated damages due, the applicable sub-section 5.3.1, 5.3.2 OR 5.3.3 will apply. In any event, the total liquidated damages as per this Section shall not exceed 5% of the Product Price.

5.3.5 The "PRODUCT PRICE" for the purpose of this Section 5.3. shall mean the total consideration which is due to Contractor for the Products being delayed at the relevant time.

5.3.6. In the event that following the delay, Contractor is in compliance with the Due Dates for two immediately consecutive Quarters and there is no delay whatsoever, Contractor will be reimbursed by NICE for liquidated damages already paid for delay in the previous Quarter (before the said 2 Quarters), if paid, without derogating from the previous delay being regarded as a breach hereunder.

5.3.7 NO RESPONSIBILITY FOR DUE DATE. Notwithstanding the aforementioned, Contractor shall be relived from its responsibility for the Due Date of any specific Product if all the following terms are met:

(1) Contractor notifies Nice promptly in writing of the delay and the detailed reasons for the delay;

(2) Contractor proves that such delay was caused by a worldwide event of component allocation or a worldwide event of Force Majeure (as defined in this Agreement) applying to a manufacturer of necessary components required for assembly of the Product and such components can not be purchased from another manufacturer, since the manufacturer with which Contractor has contracted (directly or through suppliers) is a single source manufacturer worldwide or, if there is more than one source - the above applies to all of them;

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(3) Contractor proves, that it has employed all necessary measures, both upon contracting with the supplier (including but not limited to - contracting other suppliers) and after becoming aware of the delay, in order to ensure proper timely delivery by such supplier and in accordance with the agreed Purchase Lead Time in this Agreement;

(4) Contractor takes all required actions in order to minimize the effects of such occurrence and solve it.

6. SHIPMENT DATE, PACKING AND SHIPPING

6.1. PACKING. Contractor shall package each unit of Product according to the standard NICE packing procedure and specifications in accordance with the PDM System, or, if not specified by NICE, according to good commercial standards. Every shipment to a NICE Customer must include a Packing List issued by the Contractor, attached to the packed Product. The Packing List is derived from the Purchase Order and includes all the packed items in the carton and all software licenses associated with the Product.

6.2. PREPARATION OF EXPORT SHIPMENTS. Contractor will be responsible for preparing the shipment of the final Product to the Customer by arranging the pallets and packing them according to NICE' instructions as set forth in the PDM System.

6.3. DELIVERY. Unless agreed otherwise in the future, Contractor will deliver finished Products to NICE' designated freight forwarder, at Contractor's premises.

6.4. SHIPMENT DATES. The following Shipment dates shall apply: Shipment plans that Contractor receives until 13:00, will be ready until the end of the same Day (except that on weekend days prior coordination will be required); Shipment plans that Contractor receives after 13:00, will be ready until the end of the next Day (except that on weekend days prior coordination will be required).

Contractor's performance regarding the Shipment Date shall constitute a material obligation, and is an essential element in this Agreement.

6.5. INSPECTION. Products will be subject to inspection by NICE, or by certified NICE' distributors according to the following provisions, both prior to the Shipment Date while they are in the finished goods warehouse and after the Shipment Date. During the inspection, NICE may open cartons and boxes and unpack the contents for inspection. An inspection will be coordinated if possible. NICE may inform the Contractor if there is any mismatch in Product quantities or if any damage was caused to the shipment prior to delivery to NICE' freight forwarder in Contractor's facility. In case of a quantity mismatch between the quantity recorded on the packing documents and the actual quantity received, NICE will notify Contractor

of the mismatch, and, subject to verification by Contractor, Contractor will complete the missing quantity. In case where a shipment is found damaged prior to delivery to NICE' freight forwarder at Contractor's facility, the Contractor will replace or repair the Product and deliver it back to such NICE' freight forwarder at Contractor's facility, at Contractor's expense. If there was no mismatch in quantities or no damage to the shipment (as applicable), NICE will bear all risk and costs associated with the delivery of shipment to Contractor and back.

7. [DELETED]

8. PAYMENTS

8.1. Initial prices as proposed in the Proposal are set out in APPENDIX C. Within one month from signature of this Agreement, the parties will amend the initial APPENDIX C according to components purchase prices and supplier agreements obtained by Contractor, but in no event will the relevant data exceed the data included in the initial APPENDIX C, except with respect to components sold to Contractor by NICE according to APPENDIX F and Section 2.7, or further to changes in APPENDIX C made pursuant to NICE' instructions under Sections 2.2, 2.3 or 2.4 of this Agreement. Contractor will use reasonable commercial efforts to improve the particulars in APPENDIX C and, amongst others, shorten Liability. In the event of lack of agreement on the amended APPENDIX C within one month from the signature date, the initial Appendix C shall continue to apply until agreed otherwise. It is clarified that labor prices in APPENDIX C will not be amended as aforementioned regarding components. Contractor hereby declares and undertakes that the details included in APPENDIX C(as amended from time to time according to the provisions of this Agreement) shall be the accurate details from all of the relevant purchase agreements of Contractor with its suppliers and components and sub assembly prices in APPENDIX C shall be net purchase prices by Contractor without any overhead or uplift. Thereafter, prices may be decreased or increased according to the formula and at the timetables detailed herein below.

8.2. COST ADJUSTMENTS. Product pricing shall remain firm for Products for each Quarter, except as follows or as set forth in Sections, 2.2, 2.3, 2.4, 3.5, 3.8, 3.11, 8.1, 8.3, and hereunder in the various subsections of Section 8.2:

8.2.1. The quoted cost of all components and sub-assemblies in each Product subject to this Agreement is or will be set forth in APPENDIX C or an agreed written amendment thereto.

8.2.2. NICE and Contractor shall continually work to introduce new cost reduction methods.

Contractor shall make its best reasonable commercial efforts to reduce the cost of manufacturing Products, by methods such as elimination of components, obtaining alternate sources of materials, redefinition of specifications, and improved assembly or test methods, subject to NICE' written approval. Upon implementation of such methods initiated by Contractor, Contractor will enjoy one hundred percent (100%) of the cost reduction during the first Quarter and thereafter will reduce the price accordingly so that NICE will enjoy one hundred percent (100%) of the cost reduction. NICE will immediately enjoy one hundred percent (100%) of the cost reduction upon implementation of such methods initiated by NICE.

8.2.3. In the event there is a decrease in the cost of a component or sub-assembly purchased by Contractor for the purposes hereof, which affects the purchase price of such Product, Contractor shall document such decrease in costs and provide such information to NICE in writing, in reasonable detail, within three (3) Business Days of Contractor becoming aware of such decrease.

8.2.4. In case of a decrease as aforementioned, the purchase prices in APPENDIX C for units of the affected Product shall be adjusted accordingly.

8.2.5. In the event there is an increase in the cost of a Permitted Component purchased/to be purchased by Contractor for the purposes hereof, which affects the purchase price of such Product, Contractor shall provide NICE with copies of letters as elaborated below, together with a request for a "price increase" within one (1) Business Days of Contractor becoming aware of such increase. Contractor shall not purchase any such component until NICE approves it in writing. NICE shall approve/disapprove on the same Business Day it was notified by Contractor provided notice was received by 12:00. However, NICE may only reject a price increase if it can show that the Permitted Component is available at the a lower price. There are two permitted types of price increases:

(i) TEMPORARY PRICE INCREASE designated to meet the requested Due Date, in the event of receiving a Purchase Order/Forecast for which the Purchase Lead Time is shorter than the normal Purchase Lead Time of the relevant components detailed in APPENDIX C or due to an Engineering Change Order which affects the Due Date. Contractor shall provide NICE with copies of letters of approach to at least 3 suppliers that are known in the market and accepted commonly (if 3 suppliers exist for such component) and their response. In such event, NICE will pay Contractor the difference between the original price and the actual price for those components purchased after the increase.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

(ii) CONSTANT PRICE INCREASE caused by a change in the market trend. Market trend increase requests will be explained by providing NICE with copies of letters of approach to at least 3 suppliers that are known in the market and accepted commonly (if 3 suppliers exist), and their response. NICE will pay Contractor the difference between the original price and the actual price for those components purchased after the increase within the Quarter, and thereafter APPENDIX C shall be updated accordingly.

8.3. COST REVIEW. During each calendar Quarter, no later than the third week of the Quarter, the parties will jointly review the costs, costs reduction, volume performance of Contractor and NICE, respectively, and other performance parameters to be mutually agreed upon by the parties. The pricing and other details referenced in APPENDIX C shall be jointly reviewed by the parties at an agreed upon frequency and may be modified with the mutual written agreement of the parties.

8.4. PAYMENT TERMS.

8.4.1. Payment by NICE is due current thirty (30) Days from the date of receipt of the invoice, on the 2nd or 16th of the month, whichever is following the invoice date and may be made by check or wire transfer. Purchase Orders, invoices and payments will be presented and effected in US dollars.

8.4.2. Dates of issuance of invoices by Contractor: 1. for Products – upon the actual Due Date of Products. 2. for inventory of Permitted Components – one day before the beginning of the First Quarter as defined in Section 3.4(A). 3. for amounts outstanding upon termination according to the relevant provisions of this Agreement – upon termination. 4. for other amounts – upon the date on which the payment becomes due under this Agreement.

8.4.3. Payment by Contractor is due current thirty (30) Days from the date of receipt of the invoice, except as set forth in Section 8.4.4(2) below, and may be made by check or wire transfer. Invoices and payments will be presented and effected in US dollars.

Source: NICE SYSTEMS LTD, 20−F, June 26, 2003

8.4.4. Dates of issuance of invoices by NICE: 1. for inventory of Permitted Components repurchased - at the end of the month in which such components were repurchased by Contractor. 2. for NICE existing inventory purchased by Contractor according to Section 2.7 - upon commencement of the first production Quarter with respect to inventory to be purchased on such date, upon the commencement of the second production Quarter with respect to inventory to be purchased on such date, and the remainder upon the relevant Purchase Lead Times for each component. The payment of said invoices will be made on a current thirty basis from the date of use of such inventory by Contractor based on the most updated Forecast. 3. For Permitted Components purchased from Contractor according to Section 3.4.(A) - upon the relevant Purchase Lead Times for each component. 4. For other amounts - upon the date on which the payment becomes due under this Agreement.

8.5. TAXES. Each party shall deduct such taxes from the payments due to the other party hereunder as required by law including withholding taxes (unless an exemption is provided), and shall promptly furnish such other party with appropriate tax receipts. Each party will be solely responsible for any and all taxes imposed thereon, including, without limitation, all income taxes, sales taxes, goods and services taxes. Israel value added tax shall be added, if applicable, to all amounts payable hereunder and will be paid against submission of appropriate tax invoices.

8.6. The consideration detailed in the Agreement is the full and entire consideration due to Contractor for the services stipulated hereunder and Contractor shall not be entitled to any other payment or reimbursement of expenses of any kind with respect thereto.

9. REPRESENTATIONS AND WARRANTIES

9.1. Contractor hereby warrants to NICE that it has the full corporate power and authority to enter into this Agreement and to perform its obligations hereunder; that no impediment exists to Contractor entering into this Agreement, and no other agreement has been or will be made with any third party which will have a detrimental effect on Contractor's ability to fulfill its obligations under this Agreement.

9.2. Contractor hereby warrants to NICE that it has ascertained the nature of the Manufacturing Outsourcing Services and its own ability to perform such Manufacturing Outsourcing Services, and that all Manufacturing Outsourcing Services provided by Contractor hereunder will be performed in a professional and workmanlike manner by a sufficient number of individuals with appropriate skills and training for the applicable task using systems and processes which are sufficient to accomplish the Contractor performance

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

obligations under this Agreement. In addition, without derogating from any undertaking, warranty or representation of NICE included in the Agreement, Contractor acknowledges and agrees that prior to the entering into this Agreement it has had the ability to perform a due diligence investigation into the manufacturing, production, testing and delivery as performed by NICE up to and including the date hereof, that it has in fact performed such an investigation and that based upon the outcome thereof, it believes that it has the professional and other capabilities to perform the Manufacturing Outsourcing Services as set forth herein in a professional and workmanlike manner.

9.3. Contractor further warrants that it is duly licensed, authorized, or qualified to do business and in good standing in every jurisdiction in which a license, authorization, or qualification is required for the ownership or leasing of its assets, of the transactions of business of the character transacted by it except where the failure to be so licensed, authorized, or qualified would not have a material adverse effect on Contractor's ability to fulfill is obligations under this Agreement.

9.4. PRODUCT WARRANTY. Contractor warrants to NICE that each of the Products manufactured, configured or tested by Contractor will have been manufactured, configured and tested in conformance with the Specifications therefor as provided by NICE and be free from defects in workmanship or material for the Warranty Period. It is clarified for the avoidance of doubt, that the aforesaid warranty of Contractor for the Products applies to the entire Product, including components and workmanship, except when the defect or malfunction results from the design, NICE Software or the Nice Components supplied by NICE under this Agreement if Contractor cannot obtain warranty service for same from the supplier (and Contractor shall notify NICE accordingly), for which NICE shall be responsible.

9.5. Contractor shall be responsible for procurement of components as set forth herein, inspection of components, and safe handling of the components while in-house at Contractor's premises.

9.6. RMA. Should a Product fail to be in conformity with the above warranties during the Warranty Period, NICE shall deliver the Product to Contractor at its expense, Contractor shall repair or replace the Product at no charge (as set forth in Section 9.7 below), and will cover all shipment and delivery costs of therepaired or replaced Product from Contractor's facility to NICE' Customer location (whether in Israel or abroad). In the case that the determination according to Section 9.9 below, is that Contractor's warranty hereunder does not apply, NICE will bare all shipment and delivery costs of the Product/s and their return, and of any repair/replacement costs if requested by NICE, according to APPENDIX C. Detailed procedures to be executed by Contractor concerning the repair of defective/malfunctioning Products subject to the warranty hereunder are included in APPENDIX N - Return Material Authorization ("RMA").

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

9.7. WARRANTY SERVICE. Contractor shall replace any such Product with a new Product except when the defect is in the NICE proprietary boards, in which case Contractor may repair the Product. Contractor will deliver the repaired or replacement unit to NICE, within seven (7) Days of Contractor's receipt of such Product or parts thereof. NICE may require a shorter repair and replacement time for up to ten percent (10%) of the returned Products for warranty service, and Contractor shall use its best reasonable commercial efforts to accommodate same.

NICE shall provide Contractor a spares forecast for warranty requirements for the period up and until July 1, 2002. If during such period, the spare parts required for warranty service alone exceed the spares forecast provided by NICE, NICE shall sell Contractor the missing spares at the prices specified in APPENDIX C. Nevertheless, NICE shall have no liability in the event the spares forecast exceeds the actual spares used during that period. As of July 1, 2002 purchasing of spares in order to comply with the warranty obligations shall be the sole responsibility of Contractor and no forecast shall be provided.

On or about July 1, 2002 the parties will review the said 7 days timetable, and any changes in such timetable shall need to be agreed in advance in writing, both Parties acting reasonably and in good faith. Nothing contained in the foregoing shall obligate NICE to change such warranty timetable since its Customer obligations are dependent on it.

The units of Products for which action may be required under this warranty shall be returned to Contractor's manufacturing facility, at NICE' expense, with an accompanying Contractor supplied RMA and correction / replacement time shall commence upon return of the defective Product to Contractor's facility. The RMA will include a packing slip only and will not include an invoice.

9.8. ADVANCED RMA. From time to time, NICE may request that the Contractor supply RMA to NICE Customers prior to receipt by Contractor of the failed Products. In such event, replacement time shall be 7 Days of receipt of the RMA and NICE will be responsible for the return of the failed Product or parts thereof, respectively, to the Contractor within sixty (60) Days from the delivery of the said RMA. If the failed Product is not returned within same period, Contractor shall invoice NICE for the replaced Product supplied.

9.9. DETERMINING DEFECT SOURCE. NICE and Contractor will use their best commercial efforts to determine whether a defect in a unit of Product exists and the reason for such defect. In the event of dispute

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

whether the source of a defect is subject to Contractor's warranty as detailed in Section 9.4, the parties will assign a joint MRB (Material Review Board) team to determine the source of defect, whose decisions must be mutually agreed to by both parties. NICE shall perform any investigation/examination reasonably requested by Contractor. In the event that the joint MRB team can not reach a mutually agreed decision, Contractor shall be deemed responsible for the warranty repair or replacement, unless Contractor proves otherwise, and NICE shall supply Contractor with all necessary information to assist in such determination. It is clarified that in the event of a dispute as aforementioned regarding the source of a defect, Contractor shall, nevertheless, continue its warranty obligations in a timely manner and will not withhold delivery of repaired and replaced Products, but may demand further investigation by the MRB team as above.

9.10. WARRANTIES PROVIDED BY THIRD PARTIES. If and to the extent warranties provided by third parties for components or sub-assemblies (forming an integral part of the defective Product sold to NICE hereunder) that Contractor/anyone on its behalf purchases under this Agreement, exceed the Warranty Period hereunder, Contractor shall ensure that NICE will benefit from such warranties included in agreements with suppliers as detailed in Section 2.2 above and use its best reasonable commercial efforts so that NICE may benefit from such warranties included in agreements with suppliers as detailed in Section 2 above, at Contractors' expense. Contractor will cooperate with NICE in its efforts to exercise its rights under such warranties for their entire duration. The aforementioned shall apply both during and after the term of this Agreement.

9.11 POST-WARRANTY RMA. Contractor shall provide post-Warranty RMA services to NICE in accordance with the procedures in APPENDIX N and the prices in APPENDIX C.

9A. NICE REPRESENTATIONS AND WARRANTIES

9A.1. NICE hereby warrants to Contractor that it has the full corporate power and authority to enter into this Agreement and to perform its obligations hereunder; that no impediment exists to NICE entering into this Agreement, and no other agreement has been or will be made with any third party which will have a detrimental effect on NICE' ability to fulfill its obligations under this Agreement.

9A.2 NICE hereby warrants to Contractor that it has the financial ability to perform its obligations under this Agreement.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

10. AUDIT AND ACCESS

10.1. REPORTS. Contractor shall provide to NICE periodical reports in the format acceptable by NICE and agreed by Contractor, which shall be submitted each week, unless agreed otherwise in writing. In addition, NICE may request other reports pertaining to the Outsourcing Manufacturing Services and Contractor will promptly comply with such requests, to the extent reasonable.

10.2. GENERAL. NICE shall have the rights to conduct audits of the Manufacturing Outsourcing Services and related facilities, systems, and records as set forth in this Section 10 for the purpose of auditing Contractor's compliance with the provisions of this Agreement, all subject to the limitations below. The audits shall include the physical equipment designated for the Manufacturing Outsourcing Services provided hereunder, the facility at Contractors' premises designated for the Manufacturing Outsourcing Services including the finished goods warehouse, the inventory designated for the Manufacturing Outsourcing Services provided hereunder and any records, supporting documentation, equipment and information pertaining solely to NICE and this Agreement, provided that with regard to records pertaining to inventory/components, in addition to the particulars detailed in Sections 2.2 and 2.3, NICE will have access to the ERP system at Contractor's facility only (including for the avoidance of doubt, the modules of the ERP system dealing with invoices and invoicing). No documents or data of any kind, or any copies, may be removed from Contractor's facility and all audits shall be performed within such facility only.

10.3. Such audits are expected to occur frequently given the significant security and business practices concerns inherent in the Manufacturing Outsourcing Services and NICE shall have the sole discretion, not to be unreasonably applied, to determine the frequency. NICE agrees to conduct the audits in a reasonable manner so as not to cause undue disruption to Contractor's provision of the Manufacturing Outsourcing Services and such audits shall be conducted during business hours, and shall be coordinated with Contractor. In the course of such audits Contractor shall provide, and shall cause its Permitted Subcontractors to provide, such auditors any reasonable assistance that they may require. Such reasonable assistance shall be provided as part of the Manufacturing Outsourcing Services.

10.4. If any audit by an auditor designated by NICE results in Contractor being notified that it or its Permitted Subcontractors are not in compliance with any law or regulation, Contractor shall, and shall cause its Permitted Subcontractors to, take actions to comply with such law or regulation, at Contractor's or its Permitted Subcontractor's expense.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

10.5. RESULTS OF AUDITS. If, as a result of an audit, NICE determines that Contractor has undercharged or overcharged NICE, NICE shall notify Contractor in writing of the amount of such undercharge or overcharge, and shall specify the relevant data and the reasoning for its determination. If Contractor agrees in writing, an appropriate adjustment shall promptly be paid to NICE or Contractor. In the event Contractor believes that it has complied with the relevant law, regulation or this Agreement, and has not overcharged or undercharged NICE, it shall so notify NICE in writing upon receipt of NICE' audit results shall specify the relevant data and the reasoning for its determination and the parties will attempt to determine the issue in mutual consent.

10.6. CONTRACTOR RECORD RETENTION AND ACCESS. As part of the Manufacturing Outsourcing Services, Contractor shall (1) retain records and supporting documentation detailed in Section 10.2 above if and to the extent such record retention is required by tax or similar authorities, and/or exists in the ERP system, and/or is common practice in the industry, including but not limited to - production files for the following periods: 7 years for records required by tax or similar authorities and ERP data, 3 years for production files, otherwise as required by law or as is the common practice, and (2) upon notice of no less than five (5) Days from NICE, provide NICE and its designees with reasonable access to such records and documentation for the purpose of conducting NICE' business and reporting. Such access shall only be provided to audit personnel who have signed towards Contractor a non-disclosure undertaking incorporating terms which are substantially the same as those in APPENDIX E.

10.7 All audits of all kind by NICE shall be subject to the confidentiality obligations of NICE to Contractor detailed in this Agreement.

11. SAFETY AND SECURITY, FACILITIES, NON-GENERIC EQUIPMENT

11.1. SAFETY AND SECURITY. Contractor shall maintain and observe, at its premises, all the safety and security requirements detailed in APPENDIX H and ascribed by law.

11.2. SECURITY SERVICES. Contractor shall institute, maintain, and monitor security services for all Manufacturing Outsourcing Services in accordance with APPENDIX H.

Contractor's security procedures shall be subject to audit as set forth in Section 10.

11.3. FACILITY. Contractor's facility at which the Manufacturing Outsourcing Services will be performed shall comply, at a minimum, with the requirements set forth in APPENDIX H.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

11.4. APPROVAL OF LOCATION. NICE shall have the right to approve or disqualify each location at which Contractor is providing any of its services hereunder. Contractor agrees that the Manufacturing Outsourcing Services will be performed in a dedicated space in Contractor's facility in which no production of competing products will be conducted. Access to the NICE production lines will be limited only to Contractor's employees performing the Manufacturing Outsourcing Services and NICE representatives.

11.5. NON GENERIC EQUIPMENT. During the term of this Agreement, the Non Generic Equipment shall be furnished to Contractor (without charge) and used in Contractor's premises for purposes of performing its various obligations under this Agreement, according to the terms hereof. Such Non Generic Equipment shall:

(1) Be clearly marked and identified as NICE' property.

(2) Be safely stored, adequately maintained and insured against loss or damage under Contractor's existing policies detailed in APPENDIX D. In the event such Non Generic Equipment is damaged, lost or destroyed, Contractor shall be liable towards NICE to repair or replace such equipment (at Contractor's choice).

(3) Remain the sole property of NICE, and therefore shall be kept free of liens and encumbrances imposed on Contractor's property.

(4) Be returned to NICE upon request, or upon termination of this Agreement, at the same condition as originally furnished to Contractor except for normal wear and tear. Notwithstanding anything to contrary, if NICE requests to have the Non Generic Equipment returned thereto prior to the termination of the relevant services hereunder, Contractor shall have no liability or obligation for the performance of any obligations hereunder for which such Non Generic Equipment is reasonably required. Contractor shall notify NICE in writing in detail of the aforementioned, promptly upon NICE' request to receive the Non Generic Equipment.

(5) Be used according to NICE' written instructions and information concerning such Non Generic Equipment.

(6) Shall not be used by Contractor for any other purpose except for NICE' needs and shall be dedicated for performance of this Agreement.

(7) Nevertheless, NICE may request Contractor to purchase some Non Generic Equipment by itself and in such event Contractor shall invoice NICE for the purchase price. Such equipment shall be deemed for all purposes as part of the "Non Generic Equipment" and shall be sold to NICE upon termination of this Agreement for any reason, at a total sale price of 1$.

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12. CONFIDENTIAL INFORMATION, INTELLECTUAL PROPERTY AND INTELLECTUAL PROPERTY INDEMNIFICATION, PUBLICITY

12.1 OWNERSHIP AND LICENSE RIGHTS. NICE or its customers, partners, suppliers, and contractors shall be the sole owner of all NICE Proprietary Information and NICEIntellectual Property (as defined below) to which Contractor has access in the performance of the Manufacturing Outsourcing Services including but not limited to - in connection with the Products. Except for the licenses granted herein, Contractor or anyone on its behalf shall not acquire any right, title, or interest to the NICE Proprietary Information and/or NICE Intellectual Property. Especially, but without limitation, NICE shall remain the owner of all NICE Proprietary Information and NICE Intellectual Property in connection with the design of the Products and the NICE Software. For the purposes hereof, "NICE INTELLECTUAL PROPERTY" shall mean Intellectual Property conceived, created, reduced to practice or developed by NICE and/or for NICE by a third party, and/or for NICE by Contractor (including anyone on its behalf) in accordance with this Agreement, for the purpose of performing the Manufacturing Outsourcing Services.

12.2. CONFIDENTIALITY BY CONTRACTOR. Contractor will provide the Manufacturing Outsourcing Services in a manner that complies with the Confidentiality requirements of APPENDIX E. Contractor shall not: transfer to others, copy or duplicate, sub-license, sell, publish, display or otherwise make available in any form or disclose, the NICE Proprietary Information and/or the NICE Software and/or the NICE Intellectual Property, to any third party, except to suppliers/manufacturers of components and/or sub assemblies that require specifications for their supply, in which case they shall be required by Contractor to execute a Confidentiality Agreement in the form of APPENDIX E VIS-A-VIS NICE. Contractor shall use the same degree of care with respect to NICE Proprietary Information as it uses in protecting its own proprietary information and trade secrets.

Without derogating from the aforementioned, Contractor shall not, in any way or manner, directly or indirectly, engineer, reverse engineer, compile, decompile or reverse assemble the NICE Software, or analyze or otherwise examine the NICE Software for the purpose of reverse engineering.

12.3. In addition, Contractor shall not disclose the NICE Proprietary Information to any Personnel, except on a need to know basis as required in order to implement this Agreement. Contractor undertakes to procure that its Personnel and Permitted Subcontractors engaged in performance of this Agreement (except subcontractor's employees who do not have access to the NICE production lines at Contractor's premises), and reasonably designated by NICE in advance in writing, have signed a non-disclosure agreement in the form of APPENDIX E, prior to receipt of any NICE Proprietary Information.

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12.3A Notwithstanding anything to the contrary, Contractor shall have no liability with respect to disclosure of NICE Proprietary Information if such information came into the possession of the Contractor independently of this Agreement, through a breach of obligation of secrecy of a third party to NICE, of which Contractor was not aware and should not have been aware if Contractor had exercised due care.

12.4. CONFIDENTIALITY BY NICE. NICE shall not: transfer to others, copy or duplicate, sub-license sell, publish, display or otherwise make available in any form or disclose, the Contractor's Proprietary Information, to any third party, except for the purpose of performing this Agreement. NICE shall use the same degree of care with respect to such Contractor's Proprietary Information as it uses in protecting its own proprietary information and trade secrets. All rights in Contractor's Proprietary Information, shall remain solely with Contractor. Notwithstanding the aforesaid, it is agreed that any manufacturing methods applied by Contractor, which are Contractor's Proprietary Information, may be used by NICE itself (including its Affiliates) (but may not be transferred/disclosed to any third party) and by signing this Agreement Contractor hereby grants NICE a personal, non exclusive, non transferable, perpetual license to use such manufacturing methods.

12.4A Notwithstanding anything to the contrary, NICE shall have no liability with respect to disclosure of Contractor Proprietary Information if such information came into the possession of NICE independently of this Agreement, through a breach of obligation of secrecy of a third party to Contractor, of which NICE was not aware and should not have been aware if NICE had exercised due care.

12.5. LEGAL OBLIGATION TO DISCLOSE. In the event a party is required to disclose Proprietary Information of the other party, by applicable law or by any government in the exercise of its lawful authority, the party so required shall (i) promptly notify the other party in writing, and, at the other party's expense: (ii) use reasonable and lawful efforts to resist making any disclosure of Proprietary Information not approved by the other party, (iii) use reasonable and lawful efforts to limit the amount of Proprietary Information to be disclosed pursuant to any such disclosure, and (iv) cooperate with the other party to obtain a protective order or other appropriate relief to minimize the further dissemination of any Proprietary Information to be disclosed pursuant to any such disclosure.

12.6. INTELLECTUAL PROPERTY INDEMNIFICATION BY CONTRACTOR. Contractor shall indemnify, hold harmless and defend NICE from and against any and all damages (including all damages awarded to a third party and payable by NICE), costs, losses, and expenses (including settlement awards and reasonable attorney's fees) arising from any claim or suit made against NICE or a third party which NICE is obligated to indemnify, by a third party based on the allegation that the Products infringe or violate any Intellectual Property right due to the components and/or sub assemblies supplied by Contractor hereunder and/or the manufacturing processes and methods as performed by Contractor hereunder. Contractor shall include in all its agreements with suppliers/ manufacturers provisions regarding Intellectual Property indemnification substantially similar to those included in this Agreement, providing inter alia that they are freely assignable to NICE without any modification or consent.

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Nevertheless, in the event NICE designates specific components to be purchased by Contractor hereunder and the manufacturer/supplier of such NICE designated components refuses to grant Contractor indemnification for infringement of Intellectual Property rights, despite Contractor performing its best reasonable commercial efforts to obtain such indemnification (which Contractor shall prove to NICE by submission of copies of its correspondence with the manufacturer including the manufacturer's response), then if NICE approves purchase of such components, Contractor shall not be responsible for Intellectual Property indemnification due to those specific components.

For the removal of doubt, Contractor shall not be liable for any infringement of an Intellectual Property right due to any NICE Proprietary Information, NICE Intellectual Property, NICE Software, Non Generic Equipment (if used in accordance with the instructions provided by NICE), and due to performance as is of NICE written instructions including specifications and design.

Contractor's indemnification as provided under this Section shall apply only if: Contractor is notified promptly in writing of any notice of a claim or of a threatened or actual suit; and is given control of the defense thereof and all related settlement negotiations; and, NICE provides, at Contractor's request and expense, all reasonable cooperation and assistance for the defense and negotiations of the claim. Nevertheless, in the event the claim or suit is based on the allegation that the Products infringe or violate any Intellectual Property right due to the components and/or sub assemblies supplied by Contractor hereunder which were designated by Nice as aforementioned, and the supplier / manufacturer of the infringing component has an indemnity undertaking as above towards Contractor; (i) which is assignable to NICE and Contractor promptly assigns to NICE such indemnification undertaking from its supplier / manufacturer; (ii) which is unassignable to NICE but Contractor notifies NICE promptly in writing of any notice of the claim or of a threatened or actual suit; and gives NICE on behalf of Contractor and NICE' chosen counsel control of the defense thereof and all related settlement negotiations; then in both such instances Contractor shall not be responsible for Intellectual Property indemnification with respect thereto. In all other events, Contractor shall conduct the litigation as aforementioned.

12.7. Following establishment of infringement of Intellectual Property by a competent authority including at interlocutory proceedings, whether Contractor is responsible therefor or not, NICE may issue an ECR and Contractor will handle such ECR and the corresponding ECO promptly in accordance with Sections 3.10, 3.11.

12.8. INTELLECTUAL PROPERTY INDEMNIFICATION BY NICE. NICE shall indemnify,

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hold harmless and defend Contractor from and against any and all damages (including all damages awarded to a third party and payable by Contractor), costs, losses, and expenses (including settlement awards and reasonable attorney's fees) arising from or in connection with any claim or suit made against Contractor or a third party which Contractor is obligated to indemnify, by a third party based on an allegation that the Products and/or the NICE Software infringe or violate any Intellectual Property right, including due to the use of any NICE Proprietary Information, NICE Intellectual Property, NICE Software, Non Generic Equipment (if used in accordance with the instructions provided by NICE), or due to performance as is of any NICE written instructions including specifications and design, but excluding any allegation that the Products infringe or violate any Intellectual Property right due to the components and/or sub assemblies supplied by Contractor hereunder and/or the manufacturing processes and methods as performed by Contractor hereunder for which Contractor is liable as per Section 12.6. above.

NICE' indemnification as provided under this Agreement shall apply only if: NICE is notified promptly in writing of any notice of a claim or of a threatened or actual suit; and is given control of the defense thereof and all related settlement negotiations; and, Contractor provides, at NICE' request and expense, all reasonable cooperation and assistance for the defense and negotiations of the claim.

12.9. EMPLOYEE AND CONTRACTOR INDEMNIFICATION. Each of the parties agrees that it will indemnify the other party against any and all claims hereafter brought or asserted by any person against the other party relating to any alleged or actual action or omission to act by the indemnifying party arising from, or in connection with, such person's status as an employee or independent Contractor of the indemnifying person or the termination of such status.

12.10. PUBLICITY. Except with the express written consent of NICE, Contractor shall not make any press announcement or publicize this Agreement or any matters relating to any of the transactions contemplated hereby or use NICE' name or trademark in any way whatsoever, except to the extent required to comply with applicable laws or governmental regulations, provided that Contractor acts according to Section 12.5.

13. INSURANCE

13.1. Contractor shall be liable for the total or partial loss of or damage to the components and/or the Products in so far as such loss or damage has occurred while in Contractor's possession and until delivery of the Products to NICE' freight forwarder at Contractor's facility.

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13.2. Without limiting any of the obligations or liabilities of Contractor, whether under this Agreement or by law, subject to any limitations hereunder, Contractor shall maintain, and shall cause any subcontractors engaged by Contractor to provide services under this Agreement to maintain, at Contractor's own expense, as long as this Agreement is in effect, insurance policies of the kind and limits as set forth in APPENDIX D to this Agreement. The expense of such insurance shall be borne by Contractor. The Contractor shall keep in force the policies specified in sections 1 and 3 to the Insurance Certificate valid as long as Contractor's legal liability EXISTS IN CONNECTION WITH OPERATIONS ACCORDING TO THE AGREEMENT.

It is Contractor's responsibility to ensure that the insurance requirements set forth in APPENDIX D to this Agreement remain in effect for the term of this Agreement.

13.3. Within ten (10) Days of the execution of this Agreement, Contractor shall furnish to NICE certificates of insurance evidencing full compliance with the insurance requirements as set forth in APPENDIX D to this Agreement. Certificates of Insurance shall be kept current throughout the entire term of this Agreement.

13.4. The carrying of any insurance required hereunder shall not be interpreted as relieving Contractor of any responsibility and/or undertaking to NICE according to the provisions of this Agreement or by law. Contractor shall give prompt notice of all losses or claims of which Contractor has knowledge which may be in any way related to this Agreement and Contractor shall assist and cooperate with any insurance company in the adjustment or litigation of all claims arising under this Agreement or by law and indemnifiable by Contractor under this Agreement or by law.

13.5. NICE shall include in its property policies a waiver of subrogation clause against the Contractor, its directors and any one on its behalf, provided that such waiver will not be valid towards a person which caused malicious damage.

14. [Deleted]

15. FUNDAMENTAL BREACH AND REMEDIES

15.1. Except as provided in Sections 15.2 and 15.3, any breach by any Party of this Agreement which was not remedied within forty-five (45) Days from the date of notice, shall be regarded as a fundamental breach.

15.2. Notwithstanding the aforementioned in Section 15.1, any delay in the Due Date and/or Shipment Date, which was not remedied within thirty (30) Days from the date of notice for the first delay, and any subsequent delay upon notice (i.e. any second delay, even if the first one was less then 30 days) shall be regarded as a fundamental breach.

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15.3. Notwithstanding the aforementioned in Section 15.1, unjust delay in payment by NICE exceeding sixty (60) Days from the date of notice for the first delay, exceeding seven (7) Days from the date of notice for the second delay (i.e. any second delay, even if the first one was less then 60 days) and exceeding the date of notice for any subsequent delay (i.e. any subsequent delay, even if the second one was less then 7 days) , shall be regarded as a fundamental breach. Notwithstanding, any delay in any payment by NICE shall bear a default interest, as of the first Day of delay, to be compounded daily, at the rate applicable at Bank Hapoalim B.M. at the relevant time for unauthorized overdrawn current accounts.

15.4. Notwithstanding anything to the contrary contained herein or otherwise, Contractor's liability to NICE for any indirect, special, incidental, exemplary or consequential damages as a result of any claim arising under this Agreement or in connection therewith, regardless of whether Contractor has been advised of the possibility of such damages, shall not exceed five million US dollars ($5,000,000) in the aggregate for all claims, except for infringement of Intellectual Property rights for which Contractor is liable under Section 12.6. This Section shall not be construed or used in the construction of this Agreement as imposing on Contractor any liability for which it is not otherwise liable. Further, this Section shall not be construed as derogating from any applicable law which cannot be changed or waived by contract.

15.5. Notwithstanding anything to the contrary contained herein, NICE' liability to Contractor for any indirect, special, incidental, exemplary or consequential damages as a result of any claim arising under this Agreement or in connection therewith, regardless of whether NICE has been advised of the possibility of such damages, shall not exceed five million US dollars ($5,000,000) in the aggregate for all claims, except for infringement of Intellectual Property rights for which NICE is liable under Section 12.8. This Section shall not be construed or used in the construction of this Agreement as imposing on NICE any liability for which it is not otherwise liable. Further, this Section shall not be construed as derogating from any applicable law which cannot be changed or waived by contract.

16. TERM AND TERMINATION

16.1. TERM AND TERMINATION. The initial term of this Agreement shall commence on the Effective Date and extend for three (3) years thereafter ("INITIAL TERM"), with an automatic renewal for an indefinite period of time ("EXTENDED TERM"), unless terminated by the parties according to Sections 16.2. or 16.3. herein.

16.2. Notwithstanding the aforesaid in Section 16.1. and any possible implication to the contrary herein or as a result of the course of conduct of the parties, NICEshall be entitled, at its sole discretion, to terminate this Agreement, in whole or in part, at any time during the Initial Term or the Extended Term, with or without cause, upon a prior written notice of termination to Contractor of not less than forty-five (45) Days.

16.3. Notwithstanding the aforesaid in Section 16.1. and any possible implication to the contrary herein or as a result of the course of conduct of the parties, Contractor shall be entitled, at its sole discretion, to terminate this Agreement only during the Extended Term, with or without cause, upon a prior written notice of termination to NICE of not less than six (6) months.

16.4. Either party shall be entitled to terminate this Agreement, following a fundamental breach of this Agreement by the other party.

16.5. Either party shall be entitled to terminate this Agreement upon the other party seeking an order for relief under the bankruptcy laws of the State of Israel or similar laws of any other jurisdiction, a composition with or assignment for the benefit of creditors, or dissolution or liquidation. NICE shall be entitled to terminate this Agreement upon the merger or acquisition of all or substantially all the business or assets of Contractor (except if within the Flextronix's group and provided Contractor remains an Israeli entity).

16.6. EFFECT OF TERMINATION.

16.6.1. Upon notice of termination of this Agreement for any reason whatsoever, the parties shall execute rapidly and efficiently the procedure for termination of the Manufacturing Outsourcing Services by Contractor and the transfer of production to NICE as set forth hereunder and agreed between the parties, provided that Contractor will not be required to incur additional costs for the purpose of assisting NICE in the case of termination. During the notice period, Contractor will continue performance of the Manufacturing Outsourcing Services regarding all PO's received according to the Forecast and will, simultaneously, assist NICE and cooperate with it in the transfer of the Manufacturing Outsourcing Services to NICE or anyone designated by NICE and NICE will continue in performing all its obligations hereunder.

16.6.2. Upon termination of this Agreement for any reason whatsoever, without derogating from the generality of the aforesaid, NICE shall be entitled to receive from Contractor, at no charge, subject to the confidentiality obligations hereunder and Contractor's Proprietary Information, all information, know-how, samples, documentation and data, in any form or medium, in connection with the Manufacturing Outsourcing Services, whether prepared by NICE or by Contractor, and all NICE Proprietary Information which is in the possession of Contractor or anyone on its behalf, including its Permitted Subcontractors. Upon termination of this Agreement, Contractor shall return any such information to NICE notwithstanding the provisions of Section 10.6. above.

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16.6.3. Upon termination of this Agreement for any reason whatsoever, all Non Generic Equipment and NICE Returned Components as detailed in Section 3.12. above, will be immediately returned to NICE.

16.6.4. It is clarified that upon termination, for any reason whatsoever, Contractor shall still be obligated to supply warranty services according to this Agreement to all Products supplied, this for the duration of the Warranty Period for each Product and the relevant provisions of this Agreement applying to warranty shall survive termination.

16.7. EFFECT OF TERMINATION. Upon termination of this Agreement, except in the event of termination by NICE due to breach by Contractor, NICE shall pay Contractor as follows: (i) 100% of the contract price for all finished Products in Contractor's possession or which have been delivered/being delivered to NICE, which are subject to a Purchase Order in accordance with the terms of this Agreement; (ii) 104% of the cost in APPENDIX C of all inventory of Permitted Components in Contractor's possession, which are not returnable to the vendor / supplier according to APPENDIX C or usable for other customers (as determined by Contractor in its sole discretion), whether in raw form or work in process; (iii) 104% of the cost in APPENDIX C of all inventory and inventory on order of Permitted Components which is not cancelable according to APPENDIX C; (iv) any vendor cancellation charges incurred with respect to inventory of Permitted Components accepted for cancellation or return by the vendor, and (v) disassembly charges and payments as per Section 3.8 (Cancellation of PO) resulting from the cancellation of PO's due to termination, and (vi) 100% of any other costs and payments payable by NICE hereunder at the time of termination under the specific provisions of this Agreement. Contractor will use reasonable commercial efforts to return unused inventory and to cancel pending orders for such inventory, and to otherwise mitigate the amounts payable by NICE hereunder.

16.8. Upon termination of this Agreement by NICE due to breach by Contractor, NICE shall be obligated to pay Contractor as follows: (i) 100% of the contract price for all finished Products in Contractor's possession for which the Due Date has occurred and which have been supplied to NICE' freight forwarder, which are subject to a Purchase Order in accordance with the terms of this Agreement; (ii) 100% of the cost in APPENDIX C of all inventory of Permitted Components in Contractor's possession, which are not returnable to the vendor / supplier according to APPENDIX C or usable for other customers (as determined by Contractor in its sole discretion); provided however that in the event Contractor fails to supply the Products and/or Permitted Components to NICE, for any reason whatsoever, within 14 days after receipt of NICE' request, NICE shall be released from the obligation to pay for the Products and /or Permitted Components as provided for above. (iii) 100% of the cost in Appendix C of all inventory and inventory on order of Permitted Components, which is not cancelable according to Appendix C. Contractor will use reasonable commercial efforts to return unused inventory and to cancel pending orders for such inventory, and to otherwise mitigate the amounts payable by NICE hereunder.

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16.9. Neither party shall have any other liability, including payment obligations, resulting from the termination for convenience of this Agreement.

17. MISCELLANEOUS.

17.1. ENTIRE AGREEMENT. This Agreement, Schedules, Exhibits and Appendices constitute the entire agreement between the parties in connection with its subject matter and supersede all prior communications and agreements between the parties relating to its subject matter. Notwithstanding anything to the contrary, no documents, procedures, methods or policies shall bind the Parties unless they are in writing and signed by both parties, except that all the technical documentation included in the PDM System may be changed as provided in Section A (xxxii). Any change in NICE' procedures or policies, shall bind Contractor after it is notified of same, unless the change is material, in which case Contractor can object to the change on reasonable grounds detailed in writing.

17.2. AMENDMENT. This Agreement may only be amended, varied or modified by the prior agreement in writing of NICE and Contractor. Any such amendment, variation or modification shall be binding upon the parties and upon their successors and assigns. Work procedures and technical documents may be signed by any representative on behalf of each of the parties and need not be signed by authorized signatories of the parties.

17.3. ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns. Neither party shall in any way sell, transfer, assign, sub-contract or otherwise dispose of any of the rights, privileges, duties and obligations granted or imposed upon it under this Agreement. However, NICE may, at its discretion, transfer and/or assign any of its rights, privileges, duties and obligations granted or imposed upon it under this Agreement to any NICE Affiliate, provided that NICE remains responsible towards Contractor, jointly and severally with the Affiliate, for all of its obligations hereunder so assigned, and provided further that the assignee signs this Agreement.

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It is further clarified that NICE may choose, by written notice to Contractor, to enable any NICE Affiliate to act on NICE' behalf and in its name under this Agreement directly VIS-A-VIS Contractor, without relieving NICE as the sole contractual party from responsibility for performance of the Agreement. Notwithstanding the foregoing, Upon NICE' prior written approval and upon the terms and limitations of such approval, Contractor may sub-contract some of its obligations ("PERMITTED SUBCONTRACTORS"), provided, however, that Contractor shall remain obligated under this Agreement. Contractor shall provide to NICE material qualifications and identification details of such Permitted Subcontractors. Contractor shall at all times remain fully responsible for the performance of all obligations of Contractor hereunder, jointly and severally with the Permitted Subcontractors. In selecting subcontractors to assist Contractor in the performance of this Agreement, Contractor shall comply with all reasonable NICE vendor screening requirements which are provided to it, and Contractor shall also comply with its own vendor screening requirements.

17.4. SEVERABILITY. If any provision of this Agreement is held invalid, illegal or unenforceable for any reason by any court of competent jurisdiction, such provision shall be separable from the remainder of the provisions hereof which shall continue in full force and effect as if this Agreement had been executed with the invalid provisions eliminated.

17.5. FORCE MAJEURE.

17.5.1. Neither party shall be liable to the other for any delay in performance or failure to perform, in whole or in part, due to war or act of war (whether an actual declaration is made or not), riot, civil commotion, act of public enemy, fire, flood, or other act of God, act of any governmental authority, or similar causes beyond the reasonable control of such party which could not have been foreseen or prevented. If any event of force majeure occurs, the Party affected by such event shall promptly notify the other Party of such event in writing and take all reasonable actions to avoid the effect of such event.

17.5.2. Nevertheless, if any event of force majeure occurs for a consecutive period of fourteen (14) Days preventing Contractor from performing the Manufacturing Outsourcing Services, and Contractor has not managed to set up the Manufacturing Outsourcing Services at the Backup Site, NICE may, at its discretion, elect to perform the Manufacturing Outsourcing Services or any part thereof by itself and/or through others, without derogating from its other rights and remedies, if applicable. In such event: (a) Contractor shall assist NICE by putting at its use, at NICE' request, Contractor Personnel who are involved in the performance of this Agreement, to the extent possible, at a charge to be agreed based on the labor rates in APPENDIX C; (b) without derogating from any other obligations of NICE hereunder as at such date to purchase Permitted Components, NICE shall purchase from Contractor the additional Permitted Components in Contractor's inventory, which are required, at NICE' discretion, for manufacturing during the force majeure period. The price and payment terms for purchase of such Permitted Components shall be according to the provisions of Section 3.4(A) above, which shall apply mutatis mutandis.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

17.5.3. If the event of force majeure exists for more than 90 days, each party shall have the right to terminate this Agreement and the provisions of Sections 16.2. and 16.3. regarding the notice period required shall apply mutatis mutandis, and thereafter Section 16 regarding effects of termination shall apply.

17.6. RELATIONSHIP. NICE and Contractor acknowledge and agree that this Agreement shall not constitute, create or give effect to a joint venture, pooling arrangement, principal/agency relationship, partnership relationship or formal business organization of any kind and neither Contractor and/or NICE shall have the right to bind the other without the other's express prior written consent. Contractor will render the Manufacturing Outsourcing Services as an independent contractor and no employee - employer relationship shall exist between Contractor and/or the Personnel and/or anyone on its behalf and NICE.

17.7. MANAGEMENT CHANGES. Contractor shall notify NICE immediately upon the occurrence of any material change in the conduct of business of Contractor or in the composition of its management, which has a material adverse affect on Contractor's ability to perform this Agreement.

17.8. WAIVER. The failure of either party to insist upon strict performance of any provision of this Agreement, or the failure of either party to exercise any right or remedy to which it is entitled hereunder, shall not constitute a waiver thereof and shall not cause a diminution of the obligations established by this Agreement. A waiver of any default shall not constitute a waiver of any subsequent default. No waiver of any of the provisions of this Agreement shall be effective unless it is expressly stated to be a waiver and communicated to the other party in writing in accordance with the provisions of this Agreement.

17.9. DISPUTE RESOLUTION. Any dispute arising out of or relating to this Agreement or the breach, termination or validity thereof shall be settled in accordance with one of the following procedures. Contractor and NICE shall use the procedures in the following order of priority.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

17.9.1. In the event of any dispute, controversy or claim of any kind or nature arising under or in connection with this Agreement (including but not limited to disputes as to the creation, validity, interpretation, breach or termination of this Agreement) (a "DISPUTE"), then upon the written notice of either Party, the Dispute will be submitted to the project manager on behalf of each party to be escalated, in case the parties are unable to resolve such Dispute, to the parties C.E.O.'s

17.9.2. Any dispute that the parties are unable to resolve pursuant to Section 17.9.1. within 30 Days, will be submitted exclusively to the competent courts in the Tel-Aviv-Jaffa District in Israel.

17.9.3. Without derogating from rights of termination as detailed in this Agreement, it is clarified that Contractor will continue to provide the Manufacturing Outsourcing Services and NICE shall continue to perform its obligations hereunder during any litigation, mediation or legal proceedings commenced pursuant to this Section 17.9. above and the existence of a Dispute shall not enable Contractor to stop work or services or otherwise not timely perform its obligations or enable NICE to stop payments or otherwise not timely perform its obligations.

17.9.4. The foregoing shall not affect the right of the parties to seek injunctions before the competent Court.

17.10. Wherever in this Agreement it is provided that the Parties agree to negotiate/review/change any term hereof (including prices), the parties will usetheir best commercial efforts and negotiate in good faith in order to reach such agreement. If the parties fail to agree, no change will be made to the last agreed terms and they shall continue to apply, except as otherwise specifically and explicitly provided herein, and except that the provisions of Section 8.2. and all its subsections will apply with regard to details included in APPENDIX C.

17.11. LAW AND JURISDICTION. This Agreement shall be governed by and construed in accordance with the laws of the state of Israel, without giving effect to choice of law rules.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

17.12. SCHEDULES AND APPENDICES. Each Schedule and Appendix hereto is incorporated herein by this reference. The parties may amend any Schedule and Appendix from time-to-time by entering into a separate written agreement, referencing such Schedule and Appendix and specifying the amendment thereto, signed by an authorized representative of each of the parties.

17.13. SET-OFF. NICE shall only be entitled to setoff any amount due to Contractor against any amount due from Contractor to NICE, if the setoff amount is: (i) due according to this Agreement and is subject to an invoice lawfully issued hereunder; or (ii) liquidated damages according to this Agreement. In the event of setoff, Contractor shall receive, at the same time, a written notice signed by vice president operations of NICE detailing the setoff. Contractor shall not be entitled to setoff any amount due to NICE from Contractor hereunder against any amount due from NICE to Contractor according to this Agreement. The setoff provisions in this Agreement are in lieu of any setoff rights under any applicable law but shall not be construed as derogating from any other right or remedy.

17.14. LIEN. Each party hereby waives any right of lien it may have under applicable law.

17.15. COMMUNICATION AND NOTICES. Except as otherwise expressly provided in this Agreement, no communication from one party to the other shall have any validity under this Agreement unless made in writing by or on behalf of an authorized official of Contractor or, as the case may be, by or on behalf of an authorized official of NICE. Each party shall, from time to time, provide the other with a list of personnel designated as "authorized officials" for the purposes of this Section 17.15. Any notice or other communication which either party hereto is required or authorized by this Agreement to give or make to the other shall be given or made either by registered mail, or by courier or by facsimile transmission confirmed by electronic confirmation, addressed to the other party to the address referred to in the preamble. Notices shall be deemed delivered within seven (7) Days of dispatch of the notice by registered mail, or upon delivery by courier, or one Business Day after sent if sent by facsimile transmission.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written:

/s/	/s/
NICE SYSTEMS LTD.	FLEXTRONICS ISRAEL LTD.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

NICE SYSTEMS LTD. FLEXTRONICS ISRAEL LTD.

(Nice-Nice Flex Master Manufacturing Outsourcing Agreement Final)

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Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

Dated 5th November 2001

THALES CONTACT SOLUTIONS LIMITED (1)

INSTEM TECHNOLOGIES LIMITED (2)

MANUFACTURING AGREEMENT

[LOGO]
ADDLESHAW BOOTH & CO

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

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This Agreement is made on 5th November 2001

Between

(1) THALES CONTACT SOLUTIONS LIMITED a company incorporated in England with number 560700 whose registered office is at Western Road, Bracknell, Berkshire RG12 1RG ("Thales"); and

(2) INSTEM TECHNOLOGIES LIMITED a company incorporated in England with number 3548213 whose registered office is at Unit 6, Rutherford Court, Staffordshire Technology Park, Beaconside, Stafford ST18 0AR ("Instem")

Whereas

(A) Thales and Instem have today entered into an agreement (the "Asset Sale Agreement") for the sale and purchase of the manufacturing business carried on by Thales (the "Business").

(B) Notwithstanding the sale of the Business pursuant to the Asset Sale Agreement, Thales has an ongoing requirement for certain products to be manufactured by the Business.

(C) Accordingly, Thales has agreed to appoint Instem as its sole and exclusive manufacturer and supplier of such products on the terms and conditions of this Agreement.

It is agreed as follows

1 Definitions and Interpretation

1.1 (a) In this Agreement:

"Actual Level of Business" means, in respect of any Contract Year, the aggregate invoice value of all Products which are the subject of Purchase Orders submitted by Thales to Instem pursuant to this Agreement for delivery during that Contract Year, but excluding amounts to be invoiced pursuant to clause 19, and excluding VAT and excluding the amount of any Manufacturing Management Charge

"Business Day" means a day which is not a Saturday or Sunday or a bank or other public holiday in England

"Commencement Date" means the date of this Agreement

"Competing Products" means any products which are considered by users as equivalent to the Products in view of their characteristics and price and intended use

"Contract Year" means a period of twelve successive months during the Life of this Agreement commencing on the Commencement Date or an anniversary of that date

"Established Manufacturing Costs" means the aggregate amount of the manufacturing costs of the Business (excluding costs of components and materials), the service and repair costs and the delivery service costs which, as

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at the Commencement Date, the Parties anticipate will be incurred by Instem during the first Contract Year, an estimate of which is set out at Schedule 5

"Estimated Price" means, in respect of any Product, the estimated price to be charged by Instem to Thales for the manufacture of that Product during the first Contract Year, details of which are set out at Schedule 6 and which are based on the Established Manufacturing Costs plus the costs of components and materials for that Product

"Existing Purchase Orders" means the purchase orders submitted to Instem by Thales in respect of Products which are already in the course of manufacture as at the Commencement Date, details of which are set out in Schedule 2

"Final Test Specification" means, in relation to any Product, the final technical testing specification for such Product as agreed between the Parties and details of which are set out in Schedule 3, as from time to time as amended, modified or updated from time to time by agreement between the Parties in writing

"Force Majeure" means any circumstances outside a party's reasonable control, including, without limitation, Act of God, industrial disputes (other than any industrial dispute occurring at the Property by reason of any action taken by Instem after the Commencement Date), fire, flood, lightning, war revolution act of terrorism, riot, civil commotion, failure of power supplies shortage of fuel, transport, equipment, raw materials or other goods and services

"Forecast Meeting" means a meeting held by the Parties pursuant to clause 7.1 of this Agreement, the first of which will be held on or before 13 November 2001

"Independent Accountant" means such firm of independent chartered accountants as Instem and Thales may agree within 10 Business Days of a request by either of them or, failing such agreement within such time, as the President for the time being of the Institute of Chartered Accountants in England and Wales may nominate on the application of Instem or Thales

"Initial Know-How" means all information in the possession and control of Thales which is not generally known and which relates to the development and manufacture of the Initial Products, including, without prejudice to the generality of the foregoing, information of manufacturing and formulae and assembly processes and techniques, designs, drawings, diagrams, component and material specifications

"Initial Level of Business" means the sum of (pound)18,132,018 (being the aggregate invoice value of all Products which the Parties expect to be the subject of Purchase Orders submitted by Thales to Instem pursuant to this Agreement for delivery during the first Contract Year, excluding amounts to be invoiced pursuant to clause 19 and excluding VAT and excluding any Manufacturing Management Charge) and which is taken into account in the calculation of the Established Manufacturing Cost set out in Schedule 5

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"Initial Products" means Products of the types currently being manufactured by the Business as at the Commencement Date

"Intellectual Property" means any and all trade or brand names, computer programs, copyright design copyright, legal, know-how confidential information, patents, registered designs, trade marks and service marks (whether registered or not), applications for the protection of any of the foregoing and rights to apply for any of the foregoing

"Intellectual Property Rights" means any and all rights in respect of any Intellectual Property

"Know-How" means all information in the possession and control of Thales which is not generally known and which relates to the development and manufacture of the Products, including, without prejudice to the generality of the foregoing, information on manufacturing and formulae and assembly processes and techniques, designs, drawings, diagrams, component and material specifications, together with all improvements and new applications thereto from time to time devised by or on behalf of Thales

"Life of this Agreement" means the period commencing on the Commencement Date and expiring on the date upon which this Agreement terminates in accordance with this Agreement

"Loaded Hours" means, in respect of any Contract Year, the total number of hours spent by Instem employees in the manufacture of Products delivered to Thales in that Contract Year

"Loan" means the loan outstanding from Instem to Thales from time to time pursuant to the Loan Agreement

"Loan Agreement" means the loan agreement entered into by Instem and Thales on the date of this Agreement, in the agreed form

"Manufacturing Management Charge" means in relation to a cost, 3 per cent of that cost

"Minimum Lead Time" means, in respect of any Product, the minimum period between receipt by Instem of a Purchase Order for that Product and the date on which that Product may be delivered to Thales, as specified in Schedule 8, or as agreed in writing between the Parties

"Net Sales Profit" means the net profit before interest and taxation generated by Instem in any year from the manufacture and sale of Products and the provision of Services pursuant to this Agreement

"New Products" means any new Products required by the Thales Business to be manufactured by Instem from time to time whether to replace the Initial Products or otherwise, together with any improvements or modifications to the Initial Products or the Products

"Parties" means the parties to this Agreement

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"Products" means all and any products which are required by the Thales Business for onward sale or supply to its customers from time to time (and including, for the avoidance of doubt, the Initial Products and the New Products)

"Property" means the Business' premises at Hardley Industrial Estate, Hythe or such other property from which the Business operates from time to time

"Purchase Order" means an order placed by Thales for the supply of Products

"Received Amount" means, in respect of any Contract Year, the aggregate value of all invoices submitted by Instem to Thales pursuant to this Agreement, together with the aggregate value of all additional invoices which would have been submitted by Instem to Thales had all of the Products which were the subject of valid Purchase Orders specifying delivery in that Contract Year been delivered on the required date, but excluding in each case:

(a) the cost of all materials and components comprised in the Products which are the subject of such invoices and

(b) VAT and

(c) any Manufacturing Management Charge,

and subject to any adjustment thereto agreed in writing between the Parties

"Services" means the services to be provided by Instem to Thales pursuant to clause 19

"Service Costs" means the costs for the Service Facility as agreed between the Parties, particulars of which are set out in Schedule 7, as amended, modified or updated from time to time in accordance with clause 19.3

"Service Facility" means the service and repair facility to be established by Instem pursuant to clause 19

"Thales Business" means the business of the provision of record and replay solutions carried on by Thales from time to time

"Tools and Test Equipment" has the meaning given in the Asset Sale Agreement

"VAT" means Value Added Tax

(b) reference to a document as "in the agreed form" means that document in a form agreed and a copy of which has been initialled for the purposes of identification by or on behalf of the parties hereto;

(c) the masculine gender includes the feminine and neuter and the singular number includes the plural and vice versa;

(d) references to clauses and schedules are references to clauses of and schedules to this Agreement;

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(e) words and phrases the definitions of which are contained or referred to in part XXVI of the Companies Act 1985 shall be construed as having the meaning thereby attributed to them;

(f) "person" includes any individual, company, corporation, firm, partnership, joint venture, association, organisation or trust (in each case whether or not having separate legal personality) and references to any of the same shall indicate a reference to the others;

(g) a person shall be deemed to be "associated with" another person or an "associated person" of that other person if such person is an associate of the other person within the meaning of section 435 Insolvency Act 1986;

(h) references in this Agreement to statutory provisions shall be construed as references to those provisions as respectively replaced amended or re-enacted (whether before or after the date hereof) from time to time and shall include any provisions of which they are re-enactments (whether with or without modification) and any subordinate legislation made under such provisions save to the extent that such replacements, amendments or re-enactments taking effect after the date hereof would impose any greater obligations or liabilities on or reduce the benefit to any party hereunder.

1.2 The schedules form part of and are incorporated in this Agreement and shall be of full force and effect.

1.3 Headings and sub-headings are included for ease of reference only and shall not affect the interpretation of this Agreement.

2 Term

2.1 This Agreement shall commence on the Commencement Date and subject to the provisions for early termination set out below shall continue for a period of 5 years and thereafter unless and until either Party shall give to the other 12 calendar months' written notice of its intention to terminate, such notice to expire on the fifth anniversary of the Commencement Date or at any time thereafter.

3 Appointment

3.1 Thales hereby appoints Instem as Thales' sole and exclusive manufacturer and supplier of Products upon and subject to the terms and conditions set out in this Agreement.

3.2 Thales shall (until termination of this Agreement in accordance with its terms):

(a) purchase all of its Products from Instem;

(b) not purchase Competing Products from anyone other than Instem; and

(c) not manufacture the Products itself.

3.3 Instem agrees to supply the Products to Thales in accordance with the terms of this Agreement.

3.4 Instem agrees that those Initial Products which are already in the course of being manufactured as at the Commencement Date, and those Initial Products which are the

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subject of a Purchase Order submitted by Thales within three months after the Commencement Date, shall be supplied by Instem to Thales in accordance with the manufacturing practices, procedures and workmanship standards prevailing in the Business during the period of six months preceding the Commencement Date, and details of which are set out in Schedule 9.

4 Grant of rights and use of assets

4.1 Thales hereby grants to Instem the exclusive right to use the Know-how and the Initial Know-how.

4.2 Thales shall, during the Life of this Agreement, make the Tools and Test Equipment available for use by Instem exclusively for the purposes of the Business, at no cost to Instem. The Tools and Test Equipment shall be returned by Instem to Thales following the termination of this Agreement.

5 Technical Assistance

5.1 On the execution of this Agreement Thales shall forthwith disclose the Initial Know-How to Instem and to this end Thales shall provide Instem with copies of documents and any other media which record or otherwise relate to the Initial Know-How as necessary.

5.2 Thales shall promptly provide to Instem full written details of any additions developments, modification or updates to the Initial Know-How and of any Know-How other than the Initial Know-How that arises from time to time.

5.3 Thales hereby agrees that, for a period of six months commencing on the Commencement Date, at Instem's reasonable request, it will make available at the Property suitable members of its staff to train a reasonable number of Instem employees in:

(a) the processes involved in the manufacture of the Products;

(b) the use of the Know-How; and

(c) the exploitation of the Patents.

5.4 Thales hereby agrees that it shall, from time to time, at Instem's reasonable request provide Instem with such information, technical assistance and support on such subjects (including updates on Initial Products and training on New Products) as Instem may reasonably require (including, for the avoidance of doubt, making available at the Property suitable members of its engineering staff).

6 Quality

6.1 Instem agrees that it shall manufacture each Product so as to conform with:

(a) the configuration specified by Thales in the Purchase Order relating to that Product; and

(b) its Final Test Specification.

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6.2 Thales shall be entitled to conduct sample tests of Products, on the following terms:

(a) Thales shall give not less than 24 hours notice of its intention to conduct such a test, which will take place at the Property, during normal working hours;

(b) a maximum of 20 per cent of the Products manufactured in a given week may be subjected to testing;

(c) the Products tested shall be those which have received a final test by Instem and are awaiting despatch;

(d) any test failure shall be categorised as one of the following:

(i) Grade A Failure - Product fails to function;

(ii) Grade B Failure - Product functions but is not to required build standard or current specification;

(iii) Grade C Failure - Product bears cosmetic defects only but otherwise functions satisfactorily.

6.3 If Thales identifies any Product as a Grade A Failure, Thales may require Instem to carry out repeat testing on all Products of the same Product type which are awaiting despatch having previously passed final test. The scope of such testing shall be determined by Thales. Pending the outcome of any such testing, Thales may issue a "Hold Order" in respect of that Product type, which shall suspend all deliveries of that Product type pending resolution of the fault.

6.4 If the outcome of testing undertaken pursuant to clause 6.3 is that a Grade A Failure was due to a manufacturing defect, Thales may require additional testing to be performed in order to establish, to the reasonable satisfaction of Thales, that such defect has been corrected. Any Products delivered late as a consequence of the investigations into such a Grade A Failure shall be counted for the purposes of clause 8.4.

6.5 If the outcome of testing undertaken pursuant to clause 6.3 is that a Grade A Failure was not due to a manufacturing defect, the cost of investigation and remedial work required to resolve the failure shall be borne by Thales, and Products withheld from delivery as a consequence of such failure shall not be counted as late deliveries for the purpose of clause 8.4.

6.6 If Thales identifies a Grade A failure in respect of any Product, Thales may require Instem to undertake a programme of corrective action specified by Thales, in a timescale agreed between the Parties, in order to avoid that failure recurring. If that same Grade A failure is repeated, after the time has passed within which Instem was required to implement corrective action, then Thales shall be entitled to require Instem, by notice in writing, to implement such corrective action by a date specified by Thales in such notice (but which shall allow Instem a reasonable period to do so). If Instem thereafter fails to act in accordance with such notice, Thales may terminate Instem's exclusive appointment under this Agreement in respect of the Product in which the Grade A failure occurred.

6.7 If, having terminated Instem's exclusive appointment in respect of a Product pursuant to clause 6.6, Thales ceases to order that Product to be manufactured by Instem

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Thales may require Instem to deliver to Thales such of the items of Tools and Test Equipment as relate to the manufacture of that Product and no other Products.

7 Forecasts and Purchase Orders

7.1 By the tenth Business Day of each calendar month, Thales shall provide Instem with its estimate in writing of its anticipated requirements for each type of Product for each of the following four calendar months (a "Forecast Period"). Within 10 Business Days of receipt of this estimate by Instem, representatives of the Parties shall meet to discuss and endeavour to agree the estimate (each agreed estimate being hereinafter referred to as a "Forecast").

7.2 If Thales shall advise Instem in writing of a variation to a Forecast (a "Revised Forecast") Instem shall use its reasonable endeavours to comply with the Revised Forecast, provided always that Instem gives no guarantee or undertaking as to its ability to comply with the Revised Forecast and shall accept no liability for any loss resulting to Thales from late or non-delivery of the Products the subject of the Revised Forecast.

7.3 Subject to clause 7.4, Thales may place Purchase Orders with Instem, from time to time, which shall constitute firm orders by Thales to Instem for the manufacture of the Products specified therein, and which shall specify Thales s required date for delivery of such Products, which shall not, unless Instem agrees otherwise in respect of any particular Purchaser Order, be earlier than the date of expiry of the Minimum Lead Time for the relevant Product(s).

7.4 Thales's ability to place Purchase Orders shall, unless Instem agrees otherwise in respect of any particular Purchaser Order, be limited as follows:

(a) the maximum volume of any Product type which may be ordered by Thales for delivery in any month shall not exceed 120% (one hundred and twenty per cent) of the requirement for that Product type specified in the most recent Forecast for that month;

(b) the maximum aggregate volume of any Product type which may be ordered by Thales for delivery in the second, third and fourth months of any Forecast Period may not exceed its total requirements for that Product type in the preceding Forecast, less the number of Products of that type delivered by Instem in the first month of the current Forecast Period; and

(c) the maximum aggregate volume of any Product type which may be ordered by Thales for delivery in all months of any Forecast Period may not exceed its total requirements for that Product type specified in the current Forecast.

7.5 Instem shall be entitled to purchase or commit to purchase such stock and/or materials and to generate such work-in-progress, as the Business may require in order to enable Instem to satisfy each Forecast. If Instem purchases or commits to purchase stock and/or materials which are or will become obsolete because either:

(a) a Revised Forecast involves a reduction in Thales' requirements for Products from those stated in the original Forecast; or

(b) Purchase Orders placed by Thales in any period do not order the volume of Products reflected in the Forecast for that period (whether or not Thales has advised Instem of a Revised Forecast),

then Instem may notify Thales that such items are or are likely to become obsolete. Thales may purchase any such items of stock from Instem, on payment to Instem of an amount equal to the cost to Instem of purchasing the relevant items. If Thales does not purchase such items, and Instem is required to write off the whole or any part of the value of such items in its books, then Thales shall pay to Instem an amount equal to the value so written off. Any such payment may, if the parties so agree, be satisfied by a partial release by Thales of Instem's liability to repay the Loan pursuant to the Loan Agreement. Unless otherwise agreed between the Parties, an item of stock and/or materials shall be deemed to be obsolete if it has not been used within 12 months after the date on which it was purchased, save for Last Buy Items to which the utilisation periods set out in Schedule 6 of the Asset Sale Agreement shall apply.

8 Delivery

8.1 Instem shall supply the Products (suitably packed) ex works the Property. The price to be paid for the Products pursuant to clause 12 shall be exclusive of the cost of pallets, packing cases, drums or other articles used for packing the Products which Thales shall be additionally liable to pay.

8.2 All Products are to be accompanied by a detailed advice note stating the purchase order number and giving full particulars of the Products supplied.

8.3 Instem shall use its reasonable endeavours to supply the Products by the date (if any) specified by Thales when placing the relevant Purchase Order pursuant to clause 7.3. Instem shall notify Thales as soon as reasonably practicable if Instem has reason to believe that there may be a delay in the delivery of the Products and shall provide Thales with reasonable details of the cause, and likely duration, of such delay.

8.4 If any Products ordered by Thales for delivery on any date falling after 1 January 2002 are delivered by Instem later than the fifth Business Day after the date specified therefor by Thales in the relevant Purchase Order, then Instem will be liable to make payment to Thales on the following terms:

(a) for every complete period of five Business Days by which a Product is delivered late, up to a maximum of twenty Business Days, Instem will be liable to pay Thales 0.25% (one quarter of one per cent) of the invoice value (excluding VAT) of the Products which are delivered late;

(b) Instem shall not be liable to make payment to Thales pursuant to this clause 8.4 to the extent that the late delivery of Products is attributable to an event of Force Majeure;

(c) Instem shall only be liable to make payment to Thales pursuant to this clause 8.4 if, in respect of any quarter of any Contract Year, 30% (thirty per cent) or more of the Products due to be delivered to Thales during that quarter were delivered more than five Business Days after the due date for delivery;

(d) any amounts due to Thales pursuant to this clause 8.4 shall be calculated and aggregated for each successive quarter of each Contract Year and shall be paid by Instem within five Business Days after demand therefor made by Thales.

8.5 Instem shall, without prejudice to clause 23.1, be entitled to delay delivery or to reduce the amount of Products delivered if and to the extent that it is prevented from or hindered in or delayed in manufacturing, obtaining or delivering the Products by normal means due to Force Majeure.

8.6 If for any reason Thales is unable to collect the Products at the time when the Products are due and ready for delivery, Instem shall, if its storage facilities permit store the Products and take reasonable steps to prevent damage to them until their actual collection by Thales and Thales shall be liable to Instem for the reasonable cost [(including insurance)] of Instem so doing.

9 Passing of property and risk

9.1 Title to and risk of damage to or loss of the Products shall pass to Thales on delivery of the Products pursuant to clause 8.1 and Thales shall be solely responsible for their custody and maintenance.

9.2 Pending payment of the full purchase price of the Products to Instem, Thales shall at all times keep the Products comprehensively insured against loss or damage by accident, fire, theft and other risks which it is commercially usual to insure against in an amount at least equal to the balance of the purchase price for the same from time to time remaining outstanding.

10 Payment

10.1 Instem shall submit to Thales a VAT invoice for all amounts payable by Thales to Instem pursuant to this Agreement, such invoices to include applicable VAT on the amounts due, at the prevailing VAT rate.

10.2 Thales agrees to pay the amount of any valid Instem invoice (without making any deduction or set off) by BACS or other electronic funds transfer in cleared funds for value on the 27th day of the calendar month following the month of invoice.

10.3 Payment of any monies due to Instem shall not be withheld by Thales if the delivery of the Products shall be subject to refusal, detention or confiscation by reason of the lack of proper import licence or failure to pay customs duties or any other default or omission of Thales.

10.4 Without prejudice to any other rights or remedies available to Instem when payment of any invoice is delayed, interest at the rate of 3 per cent per annum above the base lending rate from time to time of Bank of Scotland (to be calculated on a daily basis) shall be added on the amount of such invoice for the period of the delay.

11 Verification of the Established Manufacturing Costs

11.1 During the first Contract Year, Instem may request that the whole or any part of the Established Manufacturing Costs shall be re-calculated, in accordance with the provisions of clauses 11.2 to 11.9.

11.2 Instem may prepare and deliver to Thales a revised statement of the manufacturing costs which it anticipates would have been incurred during the first Contract Year which schedule shall be in substantially the same form as 0 to this Agreement ("Schedule of Revised Costs").

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

11.3 A Schedule of Revised Costs may be delivered to Thales by Instem at any time after 30 June 2002 and before 1 August 2002, provided that if a Schedule of Revised Costs shows costs in aggregate which exceed the aggregate costs stated in Schedule 5 by more than 5 per cent, Instem may deliver such Schedule of Revised Costs to Thales at any time before 1 August 2002.

11.4 Instem shall accord Thales and its authorised representatives (at its own reasonable cost) such assistance and facilities during normal working hours (including access to its books and records) as Thales may reasonably request for the purpose of reviewing the Schedule of Revised Costs and Thales shall be entitled to make such enquiries as it considers reasonably appropriate and by its authorised representatives to have access to the accounting records and sale and purchase invoices of the Business for the purposes of satisfying itself as to the matters in the Schedule 5 of Revised Costs.

11.5 As soon as reasonably practicable after delivery of the Schedule of Revised Costs to Thales pursuant to clause 11.1, Thales shall notify Instem in writing whether it agrees with the Schedule of Revised Costs.

11.6 If Thales notifies Instem that it agrees with the Schedule of Revised Costs, the costs specified in the Schedule of Revised Costs shall become the "Established Manufacturing Costs" for all purposes of this Agreement.

11.7 If Thales notifies Instem pursuant to clause 11.5 that it does not agree with the Schedule of Revised Costs, the Parties shall negotiate in good faith in a bona fide attempt to agree the Schedule of Revised Costs and, upon agreement of the same, the costs specified therein shall become the "Established Manufacturing Costs" for all purposes of this Agreement.

11.8 If after 30 Business Days from the date upon which Instem delivered the Schedule of Revised Costs to Thales there exists any aspect of the Schedule of Revised Costs which Instem and Thales have not agreed (a "Disputed Item") then:

(a) either Thales or Instem may require that any Disputed Item be referred to the decision of the Independent Accountant;

(b) the Independent Accountant shall act as an expert and not as an arbitrator and his decision in relation to any Disputed Item shall be final and binding on Thales and Instem in the absence of manifest error;

(c) all of the costs of the Independent Accountant shall be shared equally Thales and Instem unless the Independent Accountant decides otherwise;

(d) Thales and Instem shall each procure that the Independent Accountant is afforded all facilities and access to personnel, premises, papers, accounts records and such other documents as may reasonably be required by him in order to reach his decision;

(e) Thales and Instem and/or their respective professional advisers shall each be entitled to make written submissions to the Independent Accountant in relation to any Disputed Item referred to him, provided that a copy of any such submission shall be supplied simultaneously to the other party; and

(f) Thales and Instem shall each use all reasonable endeavours to procure that the Independent Accountant issues his determination within 30 Business Days of

the initial reference to him under this clause 11.8 and shall accordingly co-operate with the Independent Accountant and with each other in agreeing and complying with any procedural requirements and any timetable suggested by the Independent Accountant or, if reasonable, by the other party.

11.9 Within 5 Business Days of any written determination being made by the Independent Accountant in relation to any Disputed Item, Instem and Thales shall jointly incorporate into the Schedule of Revised Costs the matters determined by the Independent Accountant (together with any adjustments which may have separately been agreed in writing between Instem and Thales and any other adjustments which arise as a direct consequence of the matters determined by the Independent Accountant) and the costs specified in the Schedule of Revised Costs, as amended shall become the "Established Manufacturing Costs" for all purposes of this Agreement.

12 Prices for Products in the first Contract Year

12.1 During the first Contract Year, the price to be charged for the manufacture and supply of any Product shall be the Estimated Price of that Product, plus the Manufacturing Management Charge applicable to that price.

12.2 If, by the operation of clause 11 of this Agreement, the amount of the Established Manufacturing Costs is re-calculated and is an amount greater (or less) than the amount thereof set out in Schedule 5, Thales shall pay to Instem (or Instem shall pay to Thales) an amount equal to the excess (or the deficit), plus the Manufacturing Management Charge applicable to the amount of that sum, such payment to be made following delivery of an invoice therefor to the appropriate party.

12.3 During the first Contract Year, if Instem reasonably believes that the Estimated Price of any Product did not reflect any aspect of the actual cost of manufacture of that Product as at the Commencement Date, then Instem may propose a revised price for that Product and the Parties shall negotiate in good faith with a view to agreeing such revised price.

12.4 A revised price agreed pursuant to clause 12.3 shall thereupon become the Estimated Price for the relevant Product for the purposes of clause 12.1 and Instem shall be entitled to deliver an invoice to Thales in respect of the amount of the difference between the initial Estimated Price and the revised Estimated price agreed pursuant to clause 12.3, for all relevant Products delivered to Thales in the period from the Commencement Date to the date upon which the revised Estimated Price takes effect.

13 Prices for Products in subsequent Contract Years

13.1 At least 3 months prior to the commencement of the second Contract Year and each subsequent Contract Year, Thales shall provide to Instem a written estimate of Thales estimated requirements for Products to be manufactured during that Contract Year including the estimated volume required of each Product type.

13.2 Following receipt of Thales' estimate pursuant to clause 13.1, Instem shall provide to Thales a written statement of Instem's proposed price for the following Contract Year for each Product type included in Thales' estimate.

13.3 The proposed prices for the second and third Contract Years shall be based on the prices charged for Products in the first Contract Year. The proposed prices for the

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fourth Contract Year and all subsequent Contract Years shall be based on the prices charged for Products in the preceding Contract Year. If, for any Contract Year Instem proposes an increase in the price of any Product, Instem shall also supply to Thales, as appropriate:

(a) evidence from relevant labour rate indices to support the proposed labour element of any price;

(b) the effect of product mix variances on the rate of recovery of overheads;

(c) evidence of specific enhancements or variations to the service or facilities offered by Instem, to support the proposed overhead element of any price; and

(d) evidence of prices charged or to be charged by suppliers to support the product or component element of any price.

Thereafter, the Parties shall negotiate in good faith with a view to agreeing the price to be applied to each Product to be manufactured by Instem in the relevant Contract Year ("Agreed Price"). Thales may request that it joins with Instem in negotiating the prices to be charged by suppliers for products or components to be purchased by Instem for installation in Products.

13.4 In respect of the fourth Contract Year and each subsequent Contract Year, Instem's proposed prices for that Contract Year may be increased so as to seek to achieve a maximum Net Sales Profit of 5 per cent. of sales.

13.5 During the second Contract Year, and each subsequent Contract Year the price to be charged for the manufacture and supply of any Product shall be the Agreed Price of that Product.

13.6 From the first anniversary of the Commencement Date and during the remainder of Life of this Agreement, Instem shall be entitled to review and adjust the product or component element of any Agreed Price of any Product from time to time, but only to the extent necessary to take account of any variation to its costs resulting from market and/or economic forces (including, without limitation, variations in the cost of materials, exchange rate, valuations and alterations of duties) or from any changes made to any Specification or the structure of any Product, since the date of agreement or determination of the Agreed Price.

14 Minimum payments to Instem

14.1 After the end of each of the first, second and third Contract Years, Instem shall calculate the Received Amount for that Contract Year.

14.2 If the Received Amount in the first Contract Year is less than the amount of the Established Manufacturing Costs, Thales shall pay to Instem an amount equal to the shortfall, together with the Manufacturing Management Charge applicable to that shortfall.

14.3 If the Received Amount in the second Contract Year is less than the amount of the Established Manufacturing Costs, Thales shall pay to Instem an amount equal to the shortfall.

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14.4 If the Received Amount in the third Contract Year is less than the amount of the Established Manufacturing Costs, Thales shall pay to Instem an amount equal to the shortfall.

14.5 For the purposes of clauses 14.3 and 14.4, Instem may adjust the amount of the Established Manufacturing Costs in order to take into account any variations in the costs and expenses falling within the categories which comprise the Established Manufacturing Costs and which are attributable to market and/or economic forces prevailing in the relevant Contract Year.

14.6 Instem confirms that if it is able to attract third party manufacturing businesses to the Hythe facility and is able to recover a proportion of the costs of operating that facility by carrying out that work, then to that extent it would not be Instem's intention to seek to enforce its entitlement to call on Thales to reimburse Established Manufacturing Costs which are not recovered via the manufacture of Products for Thales, whether pursuant to clauses 14.2, 14.3 or 14.4.

15 Payments by Instem to Thales

15.1 If the Actual Level of Business in the second Contract Year is equal to or greater than:

(a) the Actual Level of Business in the first Contract Year; and

(b) the Initial Level of Business

and provided that Loaded Hours in the second Contract Year are greater than or equal to Loaded Hours in the first Contract Year, then Instem shall pay to Thales, within 30 days of calculation of the same, an amount equal to one half of the aggregate amount of the Manufacturing Management Charges received by Instem from Thales in the first Contract Year.

15.2 If the Actual Level of Business in the third Contract Year is equal to or greater than:

(a) the Actual Level of Business in the first Contract Year; and

(b) the Initial Level of Business

and provided that Loaded Hours in the third Contract Year are greater than or equal to Loaded Hours in the first Contract Year then Instem shall pay to Thales, within 30 days of calculation of the same, an amount equal to one half of the aggregate amount of the Manufacturing Management Charges received by Instem from Thales in the first Contract Year.

15.3 If in any of the first three Contract Years Instem has earned a Net Sales Profit of at least 5 per cent Instem shall pay to Thales an amount equal to one half of that part of the amount of the Net Sales Profit which exceeds 5 per cent.

16 Thales' undertakings

16.1 Thales agrees:

(a) that all consents, licences, approvals and permissions, statutory or otherwise as are or shall be required for the manufacture and supply of the Products and/or the New Products have been obtained and shall be maintained at Thales' own cost;

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(b) that the Initial Specification complies and the Specifications will comply strictly with the laws of the United Kingdom and Thales will keep Instem informed as to all requirements or proposals to amend requirements in this respect.

17 Improvements

17.1 If either Party shall devise any improvement to the Initial Know-How, Know-How or any development with respect to methods of manufacturing the Products (an "Improvement" it shall, as soon as reasonably practicable, disclose to Instem the nature and means of making use of the Improvement and shall grant to the other Party, without requiring payment of any royalty, a personal, exclusive right to use the Improvement while this Agreement remains in force on the terms already agreed in respect of the licence by Thales to Instem relating to Initial Know-How and the Know-How.

17.2 In the event that Thales develops a requirement for New Products, Thales hereby agrees immediately to notify Instem of this fact and agrees to grant to Instem the right to supply such New Products to Thales on an exclusive basis subject to the terms of this Agreement. Thales further agrees promptly to make available to Instem all information within Thales' possession or control that may assist Instem in the manufacturing and supply of the New Products (including, for the avoidance of doubt the granting of an exclusive right to use any Intellectual Property required for the manufacture and supply of the New Products).

18 Intellectual Property

18.1 The Parties hereby agree that the Initial Specification and the Specification (including the copyright, design right or other Intellectual Property Rights in them) shall, as between the Parties, be the property of Thales and Thales warrants that the use of the Initial Specification and the Specification shall not infringe the Intellectual Property Rights of any third party.

18.2 Thales shall indemnify Instem against all costs, claims, losses, expenses and damages incurred by Instem arising directly or indirectly out of any infringement or alleged infringement of the Intellectual Property Rights of any third party as a result of the manufacture or supply of the Products if such Product are made to the Initial Specification or Specification, as appropriate.

19 Service, repair and delivery

19.1 Instem will establish a facility at the Property for the service and repair of the Products, which facility shall be operated in accordance with the procedures and guidelines set out at Schedule 4.

19.2 The fee to be charged by Instem for the Service Facility shall be:

(a) the Service Costs; and

(b) the cost to Instem of all materials and components used in the repair or servicing of Products; and

(c) the Manufacturing Management Charge applicable to the costs referred to in (a) and (b) above.

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If Instem obtains from any supplier of components or materials replacement items to install in Products which have been returned for repair or replacement, at no cost (or a reduced cost) to Instem, or obtains any similar benefit as a consequence of having received defective components or materials from a supplier, then Instem shall reflect such savings or benefits in the amounts charged to Thales pursuant to this clause 19.2.

19.3 At the end of each Contract Year, the Parties, acting reasonably, shall review and adjust the Service Costs and, for the following Contract Year, the "Service Costs" for the purposes of this clause shall be the Service Costs as agreed between the Parties.

19.4 The costs to be charged for. the Service Facility shall be invoiced to Thales by Instem in twelve equal monthly instalments, each of which invoices shall be payable in accordance with clause 10.

19.5 The Parties hereby acknowledge that the costs to be charged for the Service Facility from time to time may also need to be adjusted by agreement between the Parties to take into account the extent to which:

(a) the Service Facility is provided by Instem to third parties; and/or

(b) the Service Costs for a particular Contract Year are higher than the costs reasonably anticipated by the Parties because of Instem failure to manufacture the Products to the Specification.

19.6 Instem shall make available to Thales a delivery van plus driver for the purpose of making deliveries of Products at Thales direction, on the following terms:

(a) Instem shall maintain insurance cover for the vehicle and the driver;

(b) Thales shall be responsible for insuring any Products in transit;

(c) Instem shall charge Thales a fee of (pound)5,136 per month for the provision of the Service, plus the expenses incurred in operating it, including fuel costs and driver accommodation expenses; and

(d) at the end of each Contract Year, the Parties, acting reasonably, shall review and adjust the delivery costs for the following Contract Year.

20 Confidential information

20.1 Each of the Parties will during the Life of this Agreement and after its termination for whatsoever reason maintain at all times strict secrecy and confidentiality concerning the business affairs of the other as may come to its knowledge and without prejudice to the generality of the foregoing, will, in particular:

(a) not disclose to any third party, except in the course of its duties under this Agreement any information concerning the terms and conditions contained in this Agreement;

(b) not disclose any information concerning methods of manufacture, turnover production costs, sale or promotion of the Products including in particular information as to the identity of or prices charged to customers or any other such information as may reasonably be deemed to be of value to a competitor and to use such information only for the purposes of this Agreement;

(c) take all reasonable steps including the insertion of relevant clauses in contracts of employment to prevent disclosure as aforesaid by employees of either party; and

(d) safeguard and protect all documents of a confidential nature from and against damage, theft, loss or from perusal by unauthorised persons.

20.2 The restrictions contained in clause 20.1 shall not apply to any information which:

(a) is at the Commencement Date, or subsequently becomes, public knowledge other than through breach of clause 20.1; or

(b) can be shown by the Party intending to disclose such information to have been known to it prior to its disclosure under this Agreement.

21 Termination

21.1 Without prejudice to any other rights which may have accrued up to the date of termination, either Party may, by notice in writing, terminate this Agreement forthwith:

(a) if the other commits an irremediable breach of any of the provisions of this Agreement or if, having committed a remediable breach, fails to remedy the same within 30 days of receiving written notice requiring it to do so; or

(b) if the other enters into liquidation (whether compulsory or voluntary) or has a receiver, administrator, administrative receiver or manager appointed over all or any part of its assets; or

(c) in accordance with clause 5.5 of the Asset Sale Agreement.

22 Consequences of termination

22.1 Upon termination of this Agreement for whatever cause:

(a) Thales shall purchase from Instem at the then prevailing price all of the Products at that time the property of Instem which have been manufactured by Instem in accordance with clause 6 of this Agreement;

(b) following repayment of the Loan, Thales shall purchase from Instem at the then prevailing price all of the remaining Stock (as defined in the Loan Agreement) (if any);

(c) each party shall return to the other or otherwise dispose of as the other shall direct all of the Products at that time the property of the other, all copies of documents of a secret or confidential nature relating to the implementation of this Agreement.

23 Force majeure

23.1 If the performance by a party of its obligations under this Agreement, other than the payment of money, is delayed or prevented due to Force Majeure that party shall be excused performance of such obligation for as long as and to the extent that the effects of the circumstance of Force Majeure continue.

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24 Limitation on liability

24.1 Instem shall not be liable for any costs, claims, damages or expenses, whether arising out of any tortious act or omission, any breach of contract or statutory duty, of an indirect or consequential nature or that are calculated by reference to profits, income production or accruals or loss of such profits, income, production or accruals or by reference to accrual of such costs, claims, damages or expenses on a time basis.

24.2 The aggregate liability of Instem in each Contract Year (whether in contract or for negligence or breach of statutory duty or otherwise howsoever) to Thales under or in connection with this Agreement shall be limited to and in no circumstances shall exceed the sum of (pound)2,000,000 (two million pounds sterling).

24.3 Instem shall not be liable to the extent that the subject of a claim:

(a) is recovered by Thales under the terms of any insurance policy (apart from any excess applicable to the relevant insurance);

(b) has been or is made good or is otherwise compensated for without cost to Thales.

24.4 Nothing in this Agreement shall operate so as to exclude or in any way limit either party's liability for fraud, or for death or personal injury caused by its negligence, or any other liability that may not be excluded for limited as a matter of English law.

24.5 Neither Party shall be liable for any default under this Agreement due to any Force Majeure.

25 Dispute resolution

25.1 Each Party shall appoint an appropriate person (each a "Contract Manager" and together the "Contract Managers") to manage all matters arising under or in connection with this Agreement and to monitor the general operation of this Agreement.

25.2 The Parties' operational teams shall use their best endeavours to resolve any dispute or difference of whatever nature howsoever arising under out of or in connection with this Agreement within 10 Working Days of such dispute or difference being identified and notified to the other Party, or such shorter period as may be agreed by the Parties.

25.3 In the event that the Parties' operational teams are unable to resolve such dispute or difference, the operational teams shall refer the problem or query to the Contract Managers.

25.4 In the event that the Contract Managers are unable to resolve such dispute or difference within 10 Working Days of referral or such shorter period as may be agreed by the Parties the Contract Managers shall refer the problem or query to a nominated director of each of the Parties.

26 Waiver

26.1 Delay in exercising, or a failure to exercise, any right or remedy in connection with this Agreement shall not operate as a waiver of that right or remedy. A single or partial exercise of any right or remedy shall not preclude any other or further exercise

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of that right or remedy, or the exercise of any other right or remedy. A waiver of a breach of this Agreement shall not constitute a waiver of any subsequent breach.

27 Notices

27.1 A notice, approval, consent or other communication in connection with this Agreement ("Notice") shall be in writing and may be served personally or delivered or sent by pre-paid ordinary post to the registered office address of the relevant party from time to time or transmitted to the fax number (if any) of the relevant party as specified below or, if the addressee notifies another address or facsimile number, in accordance with this Agreement to that address or facsimile number:

(a) if to Instem:

Fax No: 01785 616600

Attention: Mr D M Sherwin

(b) if to Thales:

Fax No: 08707 224042

Attention: Mr J Malins

28 Scope of agreement

28.1 Each of the Parties acknowledges that it is not entering into this Agreement in reliance upon any representation, warranty, collateral contract or other assurance (except those set out in this Agreement and the documents referred to in it) made by or on behalf of any other party before the execution of this Agreement. Each of the Parties waives all rights and remedies which, but for this clause, might otherwise be available to it in respect to any such representation, warranty, collateral contract or other assurance provided that nothing in this clause 28.1 shall limit or exclude any liability for fraud.

28.2 Each Party shall at its own cost do and execute, or arrange for the doing and executing of, each necessary act, document and thing reasonably requested of it by the other Party from time to time to implement this Agreement.

28.3 No variation of this Agreement shall be effective unless it is in writing and executed by or on behalf of each of the Parties.

29 Assignment

29.1 Instem shall be entitled to sub-contract its rights under this Agreement in whole or in part with the prior written consent of Thales, such consent not to be unreasonably withheld or delayed.

29.2 Instem shall not be entitled to assign or transfer its rights under this Agreement in whole or in part without first obtaining Thales' consent in writing.

29.3 Thales shall not be entitled to assign, transfer or sub-contract its rights under this Agreement in whole or in part without first obtaining Instem's consent in writing.

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30 Relationship between parties

30.1 Nothing in this Agreement shall constitute or be deemed to constitute a partnership or other form of joint venture between the Parties or constitute or be deemed to constitute either Party the agent or employee of the other for any purpose whatsoever.

31 The Contracts (Rights of Third Parties) Act 1999

31.1 No person who is not a party to this Agreement is entitled to enforce any of its terms whether under the Contracts (Rights of Third Parties) Act 1999 or otherwise.

32 Severance

32.1 The Parties intend each provision of this Agreement to be severable and distinct from the others. If a provision of this Agreement is held to be illegal, invalid or unenforceable, in whole or in part, the Parties intend that the legality, validity and enforceability of the remainder of this Agreement shall not be affected.

33 Entire agreement

33.1 This Agreement sets out the entire agreement and understanding between the Parties relating to the matters contemplated by this Agreement, and all conditions, terms and warranties, whether express or implied, are excluded to the fullest extent permitted by law if they are not expressly set out in this Agreement.

34 Applicable law and jurisdiction

34.1 This Agreement is governed by, and shall be interpreted in accordance with, English law.

34.2 Each party irrevocably submits to the exclusive jurisdiction of the English Courts in relation to all matters arising out of or in connection with this Agreement.

In Witness whereof this Agreement has been entered into on the day and year first above written.

Signed by:)
duly authorised for and on behalf of)
THALES CONTACT SOLUTIONS)
LIMITED) /s/

Signed by:
)
duly authorised for and on behalf of)
INSTEM TECHNOLOGIES LIMITED) /s/

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

PRODUCTION TEST SPECIFICATION, PTS 185-100

P185 Renaissance - Release 6

Tienna Recorder Build

AMENDMENT RECORD LIST

Issue	No. of sheets	Date	Name	Details
A	15	11/06/01	P.Joyce	Document originated

Author: P.J.Joyce	Approved:	Authorised:
Date: 24/07/01	Date:	Date:

Thales Contact Solutions Limited : Company Confidential

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IMPORTANT NOTE

All units for test will contain, as a minimum part of a document package, Work in Progress Movement Tickets and appropriate Stage Cards indicating applicable stages of inspection and test. Before commencing the following tests, the operator shall, by reference to the Stage Cards, guarantee that all previous stages of inspection and test have passed. In the event of all appropriate cards not showing clear evidence of completion, the operator must reject the unit for corrective action before proceeding with the tests. On successful completion of the following tests, the test operator shall endorse the Production Test Result Sheet (PTRI85-001-002) in the approved manner.

STATIC

Ensure that appropriate measures are taken to prevent damage to components by static electricity before handling PCBs which have been or are about to be removed from the machine undergoing test.

POWER SUPPLY FAILURE

If the Tienna undergoing test is in need of a replacement power supply, it is vitally important that all boards are removed from the UUT and that the equipment is re-tested to MTS 185-XXX before power is applied.

DISK DRIVE

Do not move or jolt the UUT while the disk(s) is (are) running.

USA MAINS SUPPLY IN A RACK MOUNTED ENVIRONMENT

WARNING

Both the LINE and NEUTRAL are FUSED in equipment racks destined for the U.S.A.

GLOSSARY of TERMS USED

Hostname	A way of identifying the computer. For Renaissance machines to work properly, the 'Hostname' should be the same as the 'Computer Name'. It can be determined by right clicking the 'Network Neighborhood' icon on the desktop (also found in the 'Control Panel') and selecting 'Properties'.
IP Address	A setting to allow a computer to be recognised on a network. Each networked computer has a unique IP Address.
Device Drivers	Software specific to a piece of hardware which acts as an interface between the operating system (Windows NT) and the hardware electronics.

For further descriptions of terms used read Visual Source Safe entry:

Renaissance/System/Non Release Specific/Documents/P185 Glossary.doc

This document describes terms such as CMSU, Port, Offline, Online & Nearline.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

40185-100-10 TIENNA

1. TEST EQUIPMENT & DOCUMENTATION REQUIRED

49185-100-10 Manufacturing Layout	Mainframe Assembly
Process Specification	PS1308
Customer Requirements Sheet	Supplied by Contracts Dept.
Portable Appliance Tester, PAT 101	e.g. TEM827
PC with Hyperterminal & RS232 cable.	
Digital Multimeter	e.g. Racal Dana 4008
P185 Tienna Dummy Load	TE2668
P185 Tienna Power Supply Monitor	TE2664
Fan Test Aid	TExxyyzz
Health Monitor Alarm & Warning Checker	TE3010
Tienna Workstation Image CD	40185-406-10

2. PRELIMINARY CHECKS AND SET-up

2.1. Documentation checks

2.1.1. Each Tienna is built according to the documentation supplied. Check from the list below that the relevant documents have been supplied:-

- o Bill of Materials (Issue as specified on MFGPRO)
- o Assembly Drawings (Issue as specified on the Bill of Materials)
- o Active ARs, PCIs and Hold Orders.

2.1.2. Check the equipment against the assembly drawing using the Bill of Materials for reference.

2.1.3. Check the equipment configuration sheet has been completed correctly.

2.1.4. Check that actions on all active Hold Orders have been implemented.

2.1.5. Check all modules/assemblies before or as they are used to build the Tienna-

2.1.6. Confirm all fixings are secure and all cable looms are dressed and routed correctly

2.1.7. Check condition of cables / sleeves.

2.1.8. Check all visible surfaces for marks or damage.

2.1.9. Check the general condition of the equipment.

2.1.10. Details of any defect found and rework carried out must be recorded onto a 'Non-conformance Report' sheet.

2.1.11. IMPORTANT: Check that the jumper option link setting narrow or wide SCSI operation is fitted to the 40185 303 processor i/f pcb.

2.2. Polarity Keys Fitted Check

2.2.1. The Tienna processors must have polarising keys fitted. These should be a blue key fitted to J1, and a brown key fitted to J4 connectors.

(The purpose of these keys, and in particular, the brown key, is to prevent the card from being fitted to the wrong slot. In the case of the processor, fitting to the wrong slot is catastrophic. The processor and the backplane suffer burnt out circuit traces resulting in both items being written off).

2.2.2. The backplane should have a brown polarising key.

Reject any items that do not comply.

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3. INITIAL BUILD

3.1. Refer to the Equipment General Assembly drawing 40185-100-10 and the Manufacturing Layout document 49185-100-10 for how to construct the chassis.

3.2. Apply the chassis type label to the chassis as shown on drawing 40185-100-10. Apply the serial number label to the serial number box within the chassis label.

3.3. Enter the serial numbers for the following items into the appropriate boxes on the configuration sheet
CFS185-001:- P.S.U. and Chassis.

4. CHASSIS TEST

Test the build so far as outlined in this paragraph and enter the results into the appropriate boxes in the Test Results Sheet PTR185-100.

TEST EQUIPMENT REQUIRED		
PAT101 Portable Appliance Tester	TEM827	
Digital Multimeter (3 1/2 digit to better than 0.2%)		e.g. TEM621
Tienna Power Supply Monitor	TE2664	
P185 Chassis Power Wiring Dummy Load	TE2668	

4.1. FIT PSUs

Fit 2 Power Supply Units, one into each PSU backplane. I.E. there are 4 slots, 2 of which share one PSU backplane, 2 the other PSU backplane.

NOTE:

Ensure p.s.u. output cable ends are insulated so as not to cause short circuit.

4.2. MAINS SAFETY TESTS (Rear Chassis Assembly only)

4.2.1. Carry out 'Earth Bond Test' according to paragraph 3 in PS1308 for '4A Earth Bond' on the Unit under test mains input socket.

4.2.2. Insert a Mains supply lead into the appropriate Mains input connector for the p.s.u. (or pair of PSUs*) under test and switch on.
* Depending upon what the unit ships with.

4.2.3. Carry out 'Insulation Test' according to paragraph 4 in PS1308 for 'Earthed Equipment' on the Unit under test mains input socket.

4.3. POWER UP (Rear Chassis Assembly only)

4.3.1. Connect the UUT drive power connectors from one of the p.s.u. backplanes to the flying leads on TE2668

4.3.2. With the Tienna mains switch OFF, connect a powered mains lead to mains input Socket no. 1 only. Check that the 'INPUT OK' and FAULT' LEDs illuminate on the first PSU.

4.3.3. Connect up the Dummy Load box TE2668, including the feedback cable.

4.3.4. Switch the Tienna mains on and check that all LEDs illuminate on the top panel of the Dummy Load Box TE2668. Using the DVM, measure the voltages and record on the Test Result Sheet.

4.3.5. Monitor the 5V rail. Switch the 50mV/Sense (feedback) switch to the opposite position and observe that the output voltage changes by 50mV +/- 10mV. Repeat with the same test limits on the 3V3 rail and +12v rail.

4.3.6. Repeat paragraphs 4.1 to 4.5 for the other p.s.u. backplane.

4.3.7. Switch off the Tienna and disconnect Mains input. Connect drive power cables to the HDD carriers.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

5. INITIAL FUNCTIONAL CHECKS

5.1. Check that the jumpers on each hard drive bay match the diagram below:

TIENNA Hard Drive Channel & Ident arrangements.

[The following table was represented as a graphic in the printed material.]

Set Jumper Links to these ID's

	Ch01			Ch02		
PSU's	00	01	02	00	01	02

5.2. The following table shows the arrangement of hard drives, depending upon how many drives are fitted (3 is the minimum):

No. Drives		ChO1			Ch02	
3	00	01		00		
4	00	01		00	01	
5	00	01	02	00	01	02
6	00	01	02	00	01	02

5.3. Fit 3 Hard Drives in positions
CH1 ID00, CH1 ID01, CH2 ID00
Lock Pod doors.

5.4. Join the two halves of the Tienna as directed by the Manufacturing Layout document 49185-100-10.

5.5. Check that at least two PSU's are fitted in the Tienna. If only two are fitted, one must be in one PSU backplane and one in the other PSU backplane.

5.6. Insert PSU Test Monitor Card, TE2664 into the Processor slot.

5.7. With the Tienna mains switch OFF, connect a powered mains lead to mains input Socket no. 1 only.
Check that the 'INPUT OK' and FAULT' LEDs illuminate on the first PSU

5.8. Switch the Tienna mains switch on and check that all LEDs illuminate on the front panel of TE2664.

5.9. Check that the 'FAULT' LED is extinguished on the first PSU

5.10. Ensure all 3 fans in the fan tray are running and that the Raid Controller fan is running.

5.11. Ensure that the Raid Controller passes all its diagnostic tests, with no alarms or warnings. Some 30 seconds after applying power, the boot sequence will be complete. The Raid controller should display the time and temperature.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

5.12. Measure the DC supply voltages generated by each Power Supply Unit (PSU) as follows:

- o Install a PSU in positions 1 and 3.
- o Plug mains power into power socket 1 and using the DMM on the TE2664 test points, ensure all voltages are within specified limits. (See table in PTR185-100 for paragraph 4.3). Remove the power cable.
- o Plug mains power into power socket 2 and ensure all voltages are within specified limits. Remove the power cable.

5.13. Power off and remove the PSUs. Install a PSU in positions 2 and 4. Repeat para 5.15 for the alternative PSU positions.

5.14. Switch the Tienna off and remove TE2664.

Fit hard drives into the remaining 3 positions. Plug powered mains leads into both input sockets and switch on. Check that all the hard drive pod fans are drawing air into the unit using TExxyyzz. (Note: there are 2 fans per pod).

5.15. Ensure the left hand LED on each pod illuminates 'green', indicating that the power is on. The right hand LED should flash amber when drive activity is detected. (I.E. erratically).

5.16. To each pod in turn, unlock, but DO NOT OPEN each pod door and then re-lock immediately. Check that the right hand LED now flashes red, but extinguishes after approximately 30 seconds.

5.17. Switch the Tienna off.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

6. CONFIGURING THE TIENNA RAID DRIVES

6.1. Refer to the diagram and table in para 3.3.2 & 3 to check the jumpers on each hard drive bay.

6.2. Check that at least two PSU's are fitted in the Tienna. If only two are fitted, one must be in one PSU backplane and one in the other PSU backplane.

6.3. The Raid facility must be tested with the full complement of hard drives even if the customer order is for less than this. Install 6 hard drives. Connect a PC running Hyperterminal via an RS232 comms lead to the Serial Port on the front panel of the Tienna.
Run Hyperterminal on the PC.

6.4. Switch on the Tienna. The Hyperterminal screen fills with diagnostic messages from the Raid Controller eventually presenting the raid controller identity screen. Press the Enter key to bring up the 'System Menu'.

6.5. Select 'Display Drives'. Press the Enter key. The Raid Controller will identify the drives. If the message "Disk Channel 'X' failure, appears, where 'X' is the failed channel then power down, rectify the fault and try this test again.

6.6. Power down if necessary to remove any drives that are not part of the customer order.

6.7. Connect a PC running Hyperterminal via an RS232 comms lead to the Serial Port on the front panel of the Tienna.
Run Hypertennina1 on the PC.
Switch on the Tienna. The Hyperterminal screen fills with messages from the Raid Controller, eventually presenting the raid controller identity screen. Press the Enter key to bring up the 'System Menu'.

6.8. Select 'Display Drives'.
All the fitted drives will be listed. Check that this is the case.

(The menus presented at each stage will disappear after a short while – simply press the 'Esc' escape key to return to the last used screen).

6.9. From the 'System Menu', select 'Configuration Menu', 'Set Date/Time'. Correct if necessary.

6.10. Select 'Backoff Percent'. Check that this reads 1%.
Select 'Host Configuration'. Check/set the following items:
(press Enter after each item).
- Target ID = 0
- Bridge LUN = 01
- Termination = ON
- Termination Power = ON

6.11. Press Enter. At which point the prompt "Are you sure" appears.
Answering 'Yes' will produce the response 'Config Done'.
Press the 'Esc' key to return to the 'System Menu'.

6.12. Select 'Add an Array' and press Enter.
Type the Array name which has a specific format using the Order Number, followed by the letters TNA and two digits signifying which Tienna it is. E.G. (SP12345TNA01). Press Enter.
Set the following:
- LUN = 00
- Raid Type = Raid 5
- Number of Drives = As Customer Order.

6.13. Press Enter.

6.14. Select 'Drives' and press Enter. Drive details are displayed.
Highlight each entry in turn and press Enter. Entries are then greyed out, as they become part of the array.

6.15. Set the 'Chunk Size' to 64kB.

6.16. At this point the prompt "Are you sure" appears. Answering 'Yes' will produce the response 'Creating, Initialising' with '% Complete'.
(The initialisation process takes approximately 30 of your earth minutes).

When complete, press the 'Esc' key to return to the 'System Menu'.
Close Hyperterminal. Disconnect the PC RS232 connection.
The Raid Array set up is complete.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

6.17. Switch the Tienna off. Remove each hard drive in turn. Tick the appropriate boxes on the hard drive ident label. Log the serial number of each drive on the Configuration Sheet.
Re-insert the drive into the pod and lock in place.

NOTE: for an unexplained reason, about one in ten installations results in the response "Command Failed" being received at the beginning of the process. In this case start again at paragraph 6.9.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

7. INSTALLATION of the PROCESSOR MODULE.

7.1. Insert a Blanking Panel into slot 12, to enable the upper and lower tapped strips to align correctly. Remove the Blanking Panel.

7.2. Insert a Processor Module into slots 8 & 9. (This is easier said than done as the combined engagement forces of all the sockets on the module is high).

7.3. Connect a monitor, mouse and keyboard to the processor.

7.4. Switch the Tienna on whilst at the same time pressing the F2 key, to enter the BIOS setup facility. Check that the 'PWR' LED on the Processor front panel is illuminated.

7.5. Adjust Main BIOS Settings:

Select 'Main' on the BIOS Setup display.
Set the system time and date if required, using the + & – keys.

Set Legacy Diskette A:	Disabled
Select Boot Options,	Enter.
Set Floppy Check:	Disabled
Set Quiet Boot Screen	Disabled
Set POST Errors:	Enabled
Press	Escape.

7.6 Adjust Advanced BIOS Settings:

Select 'Advanced'	
Select I/O Device Configuration	Enter
Set Floppy Disk Controller:	Disabled
Press Escape.	
Select PCI Configuration,	Enter
Select Embedded PCI Devices	Enter
Set Embedded Ethernet:	Enabled
Set Adaptec Ultra-2 SCSI Adapter:	Enabled
Press	Esc, Esc.

7.7. Set the Boot Device Order:

Select 'Boot'. Following the on-screen instructions,
Move ATAPI CD-ROM Drive to the top of the list.
Move Hard Drive to position 2.
Press Escape.
Select 'Exit Saving Changes', Enter
Confirm changes and exit.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

8. CONFIGURING the TIENNA SCSI BIOS

8.1. Enter the SCSI BIOS Setup Utility:

Switch off the Tienna. Switch it back on.
Watch for the screen prompt asking for CtrlA to be pressed to enter the SCSI BIOS.
Press the Ctrl and A keys together when the prompt appears.

8.2. Set the SCSI ID & LUN:

Select Configure	
View Host Adapter Settings	Enter.
Select Boot Device Options	Enter
Set Boot SCSI ID	0
Set Boot LUN Number	1
Press	Esc, Esc

8.3. Set SCSI Device I/O #0:

Select SCSI Device Configuration,	Enter.
Select BIOS Multiple LUN Support	
Set SCSI Device I/O #0	Yes
Remainder Device I/O's	No
Press	Esc, Esc
Confirm changes	
Press	Esc
Exit Utility.	

9. INSTALLATION of the HEALTH MONITOR

(If required, otherwise fit a blanking plate 40185-577-XX - there are currently two types, either of which may be used).

9.1. Install the Health Monitor module 40185-125-11 in slot 1.

10. INSTALLING DSP, PCM32, ISDN & SS7 Line Cards

10.1. Check that cards have the polarising keys fitted.

10.2. Power down the Tienna.

10.3. Install the El and PCM32 cards from the right hand side (slot 16) of the Tienna, working left.

10.4. Install DSP cards from next to the Health Monitor card filling slots toward the processor card.

10.5. Install SS7 cards to the right of the processor, starting at slot 10.

10.6. Software installation is performed at a later stage.

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

11. RESTORING the TIENNA IMAGE from the 40185-406-10 CD

Once the Rack has been assembled installation of Operating System can begin.

To ease the process 'images' of finished installations have been taken. These are copies of the hard drive in a format such that it may be written back to (restored to) any other hard drive (provided the drive is equal to or larger than the original used to create the image).

A description of the process is given in Appendix 1.

11.1. Run PQDI.EXE:

- Insert the 40185-406-10 CD into the drive and restart the machine. Wait for the A:\ prompt to appear on the display.
- Type z: Enter
- Type CD\PQDIPRO Enter
- Type PQDI Enter
- The Power Quest Drive Image Pro screen will be displayed.

11.2. Restore the Image:

- Click Restore Image.
- Click Browse.
- Double click the Z:\ drive.
- For Tienna, double click the Images folder.
- Click CB3500BX.PQI (the Tienna image file).
- Click OK
- Click Next.
- Click Next.
- Click Leave Remaining Free space, OK.
- Click Advanced Options.
- Click Verify Disk Writes, OK.
- Click Finish.
- Wait for the image to be restored.
- This will take approximately 90 seconds. At the end the results may be displayed if required.

11.3. Re-start the machine.

- Remove the CD-ROM.
- Turn the power of then on again, or press the Ctrl, Alt, Delete keys.
- Login with User Name 'RenaissanceServices', Password 'network' (case sensitive).

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

12. SET THE HARD DRIVE PARTITIONS.

12.1 Re-assign the CD-ROM drive letter:

- o Click 'Start' Programs 'Administrative Tools (Common)' and select 'Disk Administrator'.
- o Right mouse click on the CD-ROM (D:) drive and click 'Assign Drive Letter'.
- o Set the drive letter to Z and click 'OK'.

12.2 Create an E: drive partition:

- o Right mouse click on the 'Free' disk to the right of the 'C:' drive.
- o Click 'Create' and set the partition size to 2000 MB. Click 'OK'.
- o Right mouse click on the new partition and 'Assign Drive Letter' E.
- o Click on the E: partition and select 'Commit Changes'.
- o Click on the E: partition and select 'Format', click 'FAT' and 'Quick', then 'Start' Close' when finished.
- o Click on the E: partition and select 'Properties'. Set the label to 'IMAGES'. Click 'OK'.

12.3. Create a D: drive partition:

- o Right mouse click on the 'Free' disk to the right of the new 'E' partition.
- o Click 'Create' and set the partition size to the remainder of 'Disk 0'.
- o Right mouse click on the latest partition and 'Assign Drive Letter' D.

(The reversal of the lettering is deliberate. The reason is that Power Quest Drive Image requires a FAT partition within the first 8GB of the hard drive, yet this partition is required to be the last in the list).

- o Click on the D: partition and select 'Commit Changes'.
- o Click on the D: partition and select 'Format', click 'NTFS' and 'Quick', then 'Start'.
- o Click 'Close' when finished.
- o Click on the D: partition and select 'Properties'. Set the label to 'DATA'. Click 'OK'.

12.4. Close 'Disk Administrator'

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

13. SETTING UP THE NETWORK CONNECTION

DO NOT CONNECT TO THE NETWORK UNTIL AFTER THE MAINS SAFETY TESTS (next):

13.1. Set the Host Name of the computer.

- o Right mouse click the 'Network Neighborhood' icon
- o Select 'Properties'. Select the 'Protocol' tab.
- o Click the 'Identification;' tab and note the Computer Name.
- o Select 'Properties'. Select the 'Protocol' tab.
- o Select 'TCP/IP Protocol' and click the 'Properties' button.
- o Click the DNS tab. Enter the Computer Name in the Host Name box.
- o There must be NO spaces in the Computer Name or Host Name and the following are the only permissible characters for a Host Name (maximum of 15 characters) :-
  => 'a'-'z'
  => 'A'-'Z'
  => '0'-'9'
- o Click 'Apply', 'OK'.

13.2. Set the Network IP Address.

- o Select 'TCP/IP Protocol' and click the 'Properties' button.
- o Click the 'IP Address' tab.
- o Click the 'Specify an IP address' radio button.
- o Set the network IP address to one of the numbers allotted for Tienna production. Each sub-system unit must have its own unique IP address.
- o Set the Subnet Mask to 255.0.0.0. (Known as Class A).
- o Click 'Apply', 'OK', 'OK'.

14. MAINS SAFETY TESTS PRIOR TO HANDOVER

The following tests were performed earlier. The test are to be performed again, with the addition of 'Earth Leakage', to meet with legal obligations in reagrd to mains safety.

14.1. Carry out 'Earth Bond Test' according to paragraph 3 in PS1308 for '4A Earth Bond' on the Unit under test mains input socket.

14.2. Insert a Mains supply lead into the appropriate Mains input connector for the p.s.u. (or pair of PSUs*) under test and switch on. *Depending upon what the unit ships with.

14.3. Carry out an 'Earth Leakage Test' to PS1308, Paragraph 6.

14.4. Carry out an 'Dielectric Strength (Flash) Test' according to paragraph 7 in PS1308 for 'Earthed Equipment' the Unit under test mains input socket.

15. DOCUMENTATION

Ensure all modules and assemblies used to build the Tienna have been checked (re. para. 2.1).

Ensure PTR is complete and fully stamped for this 'build' stage of test.

Complete the configuration sheet CFS.

-- End of Tienna Build Procedure --

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

APPENDIX 1

1. IMAGE RESTORING and CREATING

1.1 To ease the process 'images' of finished installations have been taken. These are copies of the hard drive in a format such that it may be written back to any other hard drive (provided the drive is equal to or larger than the original used to create the image).

1.2 Images are restored using PowerQuest Drive Image software. Whether creating or restoring an image it is vital to select the 'Advanced' option button presented by Drive Image just prior to the disk activity being initiated and select 'Verify', before proceeding.

1.3 Restoring Images

Restoring an image from DVD RAM Drive:

Put the DVD disk containing the image to be restored into the DVD RAM drive. Place floppy disk 1 of the PowerQuest 2 disk set into the 3 1/2 inch drive. Reboot the system. Insert disk 2 of the set. Run a:\PQDI. Follow the on screen instructions. 'Browse' to select the 'C:Floppy' drive (Drive Image's name for the DVD drive) and locate the required image file. Click on the file to be restored, click 'OK' Next'. Click 'Select All', ,Next,, 'Delete Partitions', 'Delete All'. Finally select 'Advanced', 'Verify', 'OK' before starting the restore operation.

During the restore process, if the image is a large one, a warning message 'Moving past cylinder 1023....' Is shown. Click 'Yes' to proceed with the restore operation.

During the restore, a '1023 Cylinders' message box will ask whether to continue, click 'OK', 'Exit' when finished. Do not forget to remove the disks used.

Restoring an image from Hard Drive:

Put the CD containing Drive Image into the CD ROM drive. Reboot the system. Run Z:\PQDIPRO\PQDI. Follow the on screen instructions, using 'Browse' to locate the hard drive partition in which the image is stored (usually E:).

Restoring an image from CDROM

(Tienna Install disk with image on same disk as Drive Image Software):

Put the CD containing Drive Image into the CD ROM drive. Reboot the system. Run Z:\PQDIPRO\PQDI. Follow the on screen instructions, using 'Browse' to locate the stored image (usually Z:\Images\).

At the point where you are asked about 'Resizing Partitions', select 'Leave remaining space.'. Follow the on screen instructions remembering to select 'Advanced', 'Verify'.

1.4 Creating Images of installations:

After SQL and other Microsoft software has been installed and once the Renaissance software has been installed, it is very useful to take an image of the drive.

The creation process allows for a comprehensive description of what the image contains. Do make use of this facility in order to help others using your work. Proceed as follows:

Creating an image to store on DVD RAM Drive:

Put the DVD disk that is to contain the image to be restored into the DVD RAM drive. (The DVD disk must be formatted to 'FAT16 2.0GB' standard. Select 'Execute Physical Format' when formatting). Place floppy disk 1 of the PowerQuest 2 disk set into the 3 1/2 inch drive. Reboot the system. Insert disk 2 of the set. Run a:\PQDI. Follow the on screen instructions, remembering to select 'Advanced', 'Verify'.

Creating an image to store on the Hard Drive:

Put the CD containing Drive Image into the CD ROM drive. Reboot the system. Run Z:\PQDIPRO\PQDI. Follow the on screen instructions, using 'Browse' to locate the hard drive partition in which to store the image. Remember to select 'Advanced', 'Verify'.

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PRODUCTION TEST RESULTS PTS 185-101

P185 Renaissance - Release 6

Renaissance Build - Test Result Sheet

AMENDMENT RECORD LIST

Issue	No. of sheets	Date	Name	Details
A	3	29/05/01	P.Joyce	Document originated

Author: P.J.Joyce Approved: Authorised:

Date: 30/05/01 Date: Date:

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Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

RENAISSANCE PRODUCT

Customer Order No.

Serial No.s : (if applicable)

40185-122-10 GENERAL PURPOSE SERVER

40185-123-10 RAID ARRAY

40185-100-10 TIENNA

Stamp all completed items. Enter details and or measurements where requested.

PARA.	INITIAL BUILD	PTS185-001	STAMP
1.	40185-122-10 GENERAL PURPOSE SERVER		
1.2	GPS RAID ARRAY SET UP		
1.4	CMSU RAID ARRAY SET UP (General Purpose Server)		
1.5	INSTALL the SCSI DRIVERS		
1.6	INSTALL the PLASMON (Juke Box) Drivers		
1.7	INSTALL the SOUND CARD Drivers		
1.8	INSTALL REPLAYER Line Cards & Dsp Cards		
2.	40185-123-10 RAID ARRAY		

Source: NICE SYSTEMS LTD, 20-F, June 26, 2003

Section	Description		
3.	40185-100-10 TIENNA		
3.2.4	MAINS SAFETY TESTS Earth Bond Test to PS 1308 paragraph 3. Insulation Test to PS 1308 paragraph 4.		
3.3.12	POWER RAIL MEASUREMENT	PSU 1	
	Measure the DC supply voltages. Ensure all voltages are within specified limits.	Backplane A	Backplane B
	+12v +/- 5% i.e. between 12.6 and 11.4v inclusive	 V	 V
	-12v +/- 5% -12.6v & -11.4v	 V	 V
	+5v +/- 2% i.e. between 5.1 and 4.9v inclusive	 V	 V
	+3.3 +/- 5% 3.465v & 3.135v	 V	 V
		PSU 2	
	Measure the DC supply voltages. Ensure all voltages are within specified limits.	Backplane A	Backplane B
	+12v +/- 5% i.e. between 12.6 and 11.4v inclusive	 V	 V
	12v +/- 5% 12.6v & -11.4v	 V	 V
	+5v: +/- 2% i.e. between 5.1 and 4.9v inclusive	 V	 V
	+3.3v +/- 5% 3.465v & 3.135v	 V	 V
3.4	CONFIGURE THE TIENNA RAID DRIVES		
3.5.5 to 3.5.7	PROCESSOR MAIN BIOS Settings. Advanced BIOS Settings: Set the Boot Device Order:		
3.6	CONFIGURE the TIENNA SCSI BIOS		

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EXHIBIT 8.1

SIGNIFICANT SUBSIDIARIES

The following is a list of all of our significant subsidiaries, including the name, country of incorporation or residence, the proportion of our ownership interest in each and, if different, the proportion of voting power held by us.

NAME OF SUBSIDIARY	COUNTRY OF INCORPORATION OR RESIDENCE	PERCENTAGE OF OWNERSHIP INTEREST	PERCENTAGE OF VOTING POWER (IF DIFFERENT FROM OWNERSHIP INTEREST)
NICE Systems, Inc.	United States	100%	--
NICE Systems GmbH	Germany	100%	--
NICE Systems Canada Ltd.	Canada	100%	--
NICE CTI Systems UK Ltd.	United Kingdom	100%	--
STS Software Systems (1993) Ltd.	Israel	100%	--
NICE APAC Ltd.	Hong Kong	100%	--
NiceEye BV	Netherlands	100%	--
NiceEye Ltd.	Israel	100%	--
Nice Systems SARL	France	100%	__
Racal Recorders Ltd	United Kingdom	100%	__

</TEXT>
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Exhibit 10.2

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Haim Shani, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of NICE-Systems Ltd. on Form 20-F for the year ended December 31, 2002 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 20-F fairly presents in all material respects the financial condition and results of operations of NICE-Systems Ltd.

June 26, 2003

By: /s/
Name: Haim Shani
Title: President & Chief Executive Officer

</TEXT>
</DOCUMENT>

Exhibit 10.3

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Lauri Hanover, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of NICE-Systems Ltd. on Form 20-F for the year ended December 31, 2002 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 20-F fairly presents in all material respects the financial condition and results of operations of NICE-Systems Ltd.

June 26, 2003

By: /s/
Name: Lauri Hanover
Title: Corporate Vice President and
Chief Financial Officer

</TEXT>
</DOCUMENT>

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements Forms S-8 (Registration Nos. 333-11842, 333-9352, 333-11154 and 333-13686) and Forms F-3 (Registration Nos. 333-12996 and 333-11250) of our report dated May 28, 2003, with respect to the consolidated financial statements of NICE Systems Ltd. included in this Annual Report on Form 20-F for the year ended December 31, 2002.

Yours Truly,

/s/ Kost,forer,& Gabay

June 25, 2003 — KOST, FORER and GABBAY

Tel-Aviv, Israel — A Member of Ernst & Young Global

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