
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D.C. 20549

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): **September 8, 2011**

VERINT SYSTEMS INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation)

001-34807
(Commission File Number)

11-320514
(IRS Employer Identification
No.)

330 South Service Road, Melville, New York
(Address of Principal Executive Offices)

11747
(Zip Code)

Registrant's telephone number, including area code: **(631) 962-9600**

None
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2.):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations and Financial Condition.

On September 8, 2011, Verint Systems Inc. (“Verint”) issued a press release providing selected financial information for the quarter ended July 31, 2011. A copy of the press release is attached as Exhibit 99.1 hereto and is incorporated by reference into Items 2.02 and 7.01 in its entirety.

Item 7.01 Regulation FD Disclosure.

The information referred to in “Item 2.02 Results of Operations and Financial Condition” above is hereby incorporated by reference herein.

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits.*

| Exhibit Number | Description |
|---------------------------|----------------------------------------------------------------|
| 99.1 | Press Release of Verint Systems Inc., dated September 8, 2011. |

SIGNATURES

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

Verint Systems Inc.

Date: September 8, 2011

By: /s/ Douglas E. Robinson
Name: Douglas E. Robinson
Title: Chief Financial Officer

EXHIBIT INDEX

| Exhibit Number | Description |
|---------------------------|----------------------------------------------------------------|
| 99.1 | Press Release of Verint Systems Inc., dated September 8, 2011. |



Contacts:

Investor Relations

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Verint Systems Inc.
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Press Release

Verint Announces Second Quarter Results

Conference Call to Discuss Selected Financial Information and Outlook to be Held Today at 8:30 a.m.

MELVILLE, N.Y., September 8, 2011 — Verint® Systems Inc. (NASDAQ: VRNT), a global leader in Actionable Intelligence® solutions and value-added services, today announced results for the quarter ended July 31, 2011.

“We are pleased with our second quarter performance, which reflects strong sequential revenue growth in both workforce optimization and security intelligence. Behind Verint’s success is a commitment to innovation, as we continue to invest for long-term growth and sustained leadership in the actionable intelligence market,” said Dan Bodner, CEO and President of Verint Systems Inc.

Below is selected financial information for the three and six months ended July 31, 2011 and 2010 prepared in accordance with generally accepted accounting principles (“GAAP”) and not prepared in accordance with GAAP (“non-GAAP”).

| (Dollars in thousands, except per share data) | Selected GAAP Information | | | |
|-----------------------------------------------------------------------------------|------------------------------------|--------------|----------------------------------|--------------|
| | Three Months Ended July 31, | | Six Months Ended July 31, | |
| | 2011 | 2010 | 2011 | 2010 |
| Revenue | \$ 194,959 | \$ 180,676 | \$ 371,291 | \$ 353,289 |
| Gross Profit | 125,850 | 120,330 | 246,833 | 235,136 |
| <i>Gross Margin</i> | <i>64.6%</i> | <i>66.6%</i> | <i>66.5%</i> | <i>66.6%</i> |
| Operating Income | 21,410 | 23,799 | 40,244 | 19,817 |
| <i>Operating Margin</i> | <i>11.0%</i> | <i>13.2%</i> | <i>10.8%</i> | <i>5.6%</i> |
| Diluted Net Income (Loss) per Common Share Attributable to Verint Systems Inc. | \$ 0.17 | \$ 0.23 | \$ 0.08 | \$ (0.35) |

| | Selected Non-GAAP Information | | | |
|----------------------------------------------------------------------------|--------------------------------------|--------------|----------------------------------|--------------|
| | Three Months Ended July 31, | | Six Months Ended July 31, | |
| | 2011 | 2010 | 2011 | 2010 |
| Revenue | \$ 195,686 | \$ 180,676 | \$ 372,253 | \$ 353,289 |
| Gross Profit | 130,303 | 123,785 | 255,140 | 243,232 |
| <i>Gross Margin</i> | <i>66.6%</i> | <i>68.5%</i> | <i>68.5%</i> | <i>68.8%</i> |
| Operating Income | 40,386 | 46,323 | 79,903 | 88,602 |
| <i>Operating Margin</i> | <i>20.6%</i> | <i>25.6%</i> | <i>21.5%</i> | <i>25.1%</i> |
| Diluted Net Income per Common Share Attributable to Verint Systems Inc. | \$ 0.57 | \$ 0.69 | \$ 1.13 | \$ 1.25 |

Outlook for the Year Ending January 31, 2012

- We are increasing our annual revenue growth guidance from approximately 8% to approximately 9% compared to the year ended January 31, 2011.
- We are targeting a non-GAAP operating margin in the low 20%.

Conference Call Information

We will be conducting a conference call today at 8:30 a.m. to discuss our results for the second quarter and outlook for the year ending January 31, 2012. An on-line, real-time webcast of the conference call will be available on our website at www.verint.com. The conference call can also be accessed live via telephone at 1-888-713-4214 (United States) and 1-617-213-4866 (international) and the passcode is 56607528. Please dial in 5-10 minutes prior to the scheduled start time.

About Non-GAAP Financial Measures

This press release and the accompanying tables include non-GAAP financial measures. For a description of these non-GAAP financial measures, including the reasons management uses each measure, and reconciliations of these non-GAAP financial measures to the most directly comparable financial measures prepared in accordance with GAAP, please see Table 2 as well as “Supplemental Information About Non-GAAP Financial Measures” at the end of this press release. Because we do not predict special items that might occur in the future, and our outlook is developed at a level of detail different than that used to prepare GAAP financial measures, we are not providing a reconciliation to GAAP of our forward-looking financial measures for the year ending January 31, 2012.

About Verint Systems Inc.

Verint® Systems Inc. is a global leader in Actionable Intelligence® solutions and value-added services. Our solutions enable organizations of all sizes to make timely and effective decisions to improve enterprise performance and make the world a safer place. More than 10,000 organizations in over 150 countries—including over 85 percent of the Fortune 100—use Verint Actionable Intelligence solutions to capture, distill, and analyze complex and underused information sources, such as voice, video, and unstructured text. Headquartered in Melville, New York, we support our customers around the globe directly and with an extensive network of selling and support partners. Visit us at our website www.verint.com.

Cautions About Forward-Looking Statements

This press release contains forward-looking statements, including statements regarding expectations, predictions, views, opportunities, plans, strategies, beliefs, and statements of similar effect relating to Verint Systems Inc. These forward-looking statements are not guarantees of future performance and they are based on management’s expectations that involve a number of risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. Some of the factors that could cause actual future results or conditions to differ materially from current expectations include: uncertainties regarding the impact of general economic conditions in the United States and abroad, particularly in information technology spending and government budgets, on our business; risks due to aggressive competition in all of our markets, including with respect to maintaining margins and sufficient levels of investment in our business; risks associated with keeping pace with technological changes and evolving industry standards in our product offerings and with successfully introducing new, quality products which meet customer needs and achieve market acceptance; risks created by continued consolidation of competitors or introduction of large competitors in our markets with greater resources than we have; risks associated with successfully competing for, consummating, and implementing mergers and acquisitions, including risks associated with capital constraints, costs and expenses, management distraction, post-acquisition integration activities, and potential asset impairments; risks that customers or partners delay or cancel orders or are unable to honor contractual commitments due to liquidity issues, challenges in their business, or otherwise; risks relating to our implementation and maintenance of adequate systems and internal controls for our current and future operations and reporting needs and related risks of financial statement omissions, misstatements, restatements, or filing delays; risks associated with being a consolidated, controlled subsidiary of Comverse Technology, Inc. (“Comverse”) and formerly part of Comverse’s consolidated tax group, including risks of any future impact on us resulting from Comverse’s extended filing delay or any other future issues; risks associated with Comverse controlling our board of directors and the outcome of all matters submitted for stockholder action, including the approval of significant corporate transactions, such as certain equity issuances or mergers and acquisitions, as

well as speculation or announcements regarding Comverse's strategic plans; risks that products may contain undetected defects, which could expose us to substantial liability; risks associated with allocating limited financial and human resources to business, development, strategic or other opportunities that may not come to fruition or produce satisfactory returns; risks associated with significant foreign and international operations, including exposure to regions subject to political instability and fluctuations in exchange rates; risks associated with complex and changing local and foreign regulatory environments; risks associated with our ability to recruit and retain qualified personnel in geographies in which we operate; challenges in accurately forecasting revenue and expenses and maintaining profitability; risks relating to our ability to improve our infrastructure to support growth; risks that our intellectual property rights may not be adequate to protect our business or assets or that others may make claims on our intellectual property or claim infringement on their intellectual property rights; risks associated with a significant amount of our business coming from domestic and foreign government customers, including the ability to maintain security clearances for certain projects; risks that we improperly handle sensitive or confidential information or the perception of such mishandling; risks associated with our dependence on a limited number of suppliers or original equipment manufacturers ("OEMs") for certain components of our products; risks that we are unable to maintain and enhance relationships with key resellers, partners, and systems integrators; risks that contract terms may expose us to unlimited liability or other unfavorable positions and risks that we may experience losses that are not covered by insurance; risks that we will experience liquidity or working capital issues and related risks that financing sources will be unavailable to us on reasonable terms or at all; risks associated with significant leverage resulting from our current debt position; risks that we will be unable to comply with the leverage ratio covenant under our credit facility; risks that our credit rating could be downgraded or placed on a credit watch; risks relating to timely implementation of new accounting pronouncements or new interpretations of existing accounting pronouncements and related risks of future restatements or filing delays; risks associated with future regulatory actions or private litigations relating to our extended filing delay and related circumstances; and risks that use of our tax benefits may be restricted or eliminated in the future. We assume no obligation to revise or update any forward-looking statement, except as otherwise required by law. For a detailed discussion of these risk factors, see our Annual Report on Form 10-K for the fiscal year ended January 31, 2011.

VERINT, the VERINT logo, ACTIONABLE INTELLIGENCE, POWERING ACTIONABLE INTELLIGENCE, INTELLIGENCE IN ACTION, ACTIONABLE INTELLIGENCE FOR A SMARTER WORKFORCE, VERINT VERIFIED, WITNESS ACTIONABLE SOLUTIONS, STAR-GATE, RELIANT, VANTAGE, X-TRACT, NEXTIVA, EDGEVR, ULTRA, AUDIOLOG, WITNESS, the WITNESS logo, IMPACT 360, the IMPACT 360 logo, IMPROVE EVERYTHING, EQUALITY, CONTACTSTORE, EYRETEL, BLUE PUMPKIN SOFTWARE, BLUE PUMPKIN, the BLUE PUMPKIN logo, EXAMETRIC and the EXAMETRIC logo, CLICK2STAFF, STAFFSMART, AMAE SOFTWARE and the AMAE logo are trademarks and registered trademarks of Verint Systems Inc. Other trademarks mentioned are the property of their respective owners.

Table 1
Verint Systems Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)
(In thousands, except per share data)

| | Three Months Ended July 31, | | Six Months Ended July 31, | |
|-------------------------------------------------------------------------------|-----------------------------|-----------------|---------------------------|--------------------|
| | 2011 | 2010 | 2011 | 2010 |
| Revenue: | | | | |
| Product | \$ 100,423 | \$ 93,103 | \$ 183,701 | \$ 185,173 |
| Service and support | 94,536 | 87,573 | 187,590 | 168,116 |
| Total revenue | 194,959 | 180,676 | 371,291 | 353,289 |
| Cost of revenue: | | | | |
| Product | 33,214 | 29,866 | 55,745 | 56,718 |
| Service and support | 33,210 | 28,260 | 63,378 | 56,982 |
| Amortization of acquired technology | 2,685 | 2,220 | 5,335 | 4,453 |
| Total cost of revenue | 69,109 | 60,346 | 124,458 | 118,153 |
| Gross profit | 125,850 | 120,330 | 246,833 | 235,136 |
| Operating expenses: | | | | |
| Research and development, net | 26,808 | 22,049 | 53,176 | 48,481 |
| Selling, general and administrative | 72,217 | 69,144 | 142,452 | 156,161 |
| Amortization of other acquired intangible assets | 5,415 | 5,338 | 10,961 | 10,677 |
| Total operating expenses | 104,440 | 96,531 | 206,589 | 215,319 |
| Operating income | 21,410 | 23,799 | 40,244 | 19,817 |
| Other income (expense), net | | | | |
| Interest income | 146 | 117 | 294 | 200 |
| Interest expense | (7,857) | (5,936) | (16,651) | (11,884) |
| Loss on extinguishment of debt | — | — | (8,136) | — |
| Other income (expense), net | 738 | (2,448) | 1,750 | (6,146) |
| Total other expense, net | (6,973) | (8,267) | (22,743) | (17,830) |
| Income before provision for income taxes | 14,437 | 15,532 | 17,501 | 1,987 |
| Provision for income taxes | 3,163 | 3,141 | 4,672 | 5,212 |
| Net income (loss) | 11,274 | 12,391 | 12,829 | (3,225) |
| Net income attributable to noncontrolling interest | 799 | 916 | 2,466 | 1,508 |
| Net income (loss) attributable to Verint Systems Inc. | 10,475 | 11,475 | 10,363 | (4,733) |
| Dividends on preferred stock | (3,707) | (3,554) | (7,256) | (6,957) |
| Net income (loss) attributable to Verint Systems Inc. common shares | \$ 6,768 | \$ 7,921 | \$ 3,107 | \$ (11,690) |
| Net income (loss) per common share attributable to Verint Systems Inc. | | | | |
| Basic | \$ 0.18 | \$ 0.24 | \$ 0.08 | \$ (0.35) |
| Diluted | \$ 0.17 | \$ 0.23 | \$ 0.08 | \$ (0.35) |
| Weighted-average common shares outstanding | | | | |
| Basic | 38,557 | 33,272 | 37,984 | 32,972 |
| Diluted | 39,377 | 35,006 | 39,239 | 32,972 |

Table 2
Verint Systems Inc. and Subsidiaries
Reconciliation of GAAP to Non-GAAP Results
(Unaudited)
(In thousands, except per share data)

| | <u>Three Months Ended July 31,</u> | | <u>Six Months Ended July 31,</u> | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|--------------------|----------------------------------|--------------------|
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| <u>Table of Reconciliation from GAAP Revenue to Non-GAAP Revenue</u> | | | | |
| GAAP revenue | \$ 194,959 | \$ 180,676 | \$ 371,291 | \$ 353,289 |
| Revenue adjustments related to acquisitions | 727 | — | 962 | — |
| Non-GAAP revenue | <u>\$ 195,686</u> | <u>\$ 180,676</u> | <u>\$ 372,253</u> | <u>\$ 353,289</u> |
| <u>Table of Reconciliation from GAAP Gross Profit to Non-GAAP Gross Profit</u> | | | | |
| GAAP gross profit | \$ 125,850 | \$ 120,330 | \$ 246,833 | \$ 235,136 |
| Revenue adjustments related to acquisitions | 727 | — | 962 | — |
| Amortization of acquired technology | 2,685 | 2,220 | 5,335 | 4,453 |
| Stock-based compensation expenses | 627 | 1,235 | 1,596 | 3,643 |
| Other adjustments | 414 | — | 414 | — |
| Non-GAAP gross profit | <u>\$ 130,303</u> | <u>\$ 123,785</u> | <u>\$ 255,140</u> | <u>\$ 243,232</u> |
| <u>Table of Reconciliation from GAAP Operating Income to Non-GAAP Operating Income</u> | | | | |
| GAAP operating income | \$ 21,410 | \$ 23,799 | \$ 40,244 | \$ 19,817 |
| Revenue adjustments related to acquisitions | 727 | — | 962 | — |
| Amortization of acquired technology | 2,685 | 2,220 | 5,335 | 4,453 |
| Amortization of other acquired intangible assets | 5,415 | 5,338 | 10,961 | 10,677 |
| Stock-based compensation expenses | 6,641 | 8,035 | 14,191 | 26,004 |
| Other adjustments | 3,491 | 864 | 7,202 | 1,371 |
| Expenses related to our filing delay | 17 | 6,067 | 1,008 | 26,280 |
| Non-GAAP operating income | <u>\$ 40,386</u> | <u>\$ 46,323</u> | <u>\$ 79,903</u> | <u>\$ 88,602</u> |
| <u>Table of Reconciliation from GAAP Other Expense, Net to Non-GAAP Other Expense, Net</u> | | | | |
| GAAP other expense, net | \$ (6,973) | \$ (8,267) | \$ (22,743) | \$ (17,830) |
| Loss on extinguishment of debt | — | — | 8,136 | — |
| Unrealized (gains) losses on derivatives, net | (377) | (3,796) | 730 | (7,763) |
| Non-GAAP other expense, net | <u>\$ (7,350)</u> | <u>\$ (12,063)</u> | <u>\$ (13,877)</u> | <u>\$ (25,593)</u> |
| <u>Table of Reconciliation from GAAP Provision for Income Taxes to Non-GAAP Provision for Income Taxes</u> | | | | |
| GAAP provision for income taxes | \$ 3,163 | \$ 3,141 | \$ 4,672 | \$ 5,212 |
| Non-cash tax adjustments | 471 | (948) | 2,591 | 143 |
| Non-GAAP provision for income taxes | <u>\$ 3,634</u> | <u>\$ 2,193</u> | <u>\$ 7,263</u> | <u>\$ 5,355</u> |
| <u>Table of Reconciliation from GAAP Net Income (Loss) Attributable to Verint Systems Inc. to Non-GAAP Net Income Attributable to Verint Systems Inc.</u> | | | | |
| GAAP net income (loss) attributable to Verint Systems Inc. | \$ 10,475 | \$ 11,475 | \$ 10,363 | \$ (4,733) |
| Revenue adjustments related to acquisitions | 727 | — | 962 | — |
| Amortization of acquired technology | 2,685 | 2,220 | 5,335 | 4,453 |
| Amortization of other acquired intangible assets | 5,415 | 5,338 | 10,961 | 10,677 |
| Stock-based compensation expenses | 6,641 | 8,035 | 14,191 | 26,004 |
| Other adjustments | 3,491 | 864 | 7,202 | 1,371 |
| Expenses related to our filing delay | 17 | 6,067 | 1,008 | 26,280 |
| Loss on extinguishment of debt | — | — | 8,136 | — |
| Unrealized (gains) losses on derivatives, net | (377) | (3,796) | 730 | (7,763) |
| Non-cash tax adjustments | (471) | 948 | (2,591) | (143) |
| Total GAAP net income (loss) adjustments | <u>18,128</u> | <u>19,676</u> | <u>45,934</u> | <u>60,879</u> |
| Non-GAAP net income attributable to Verint Systems Inc. | <u>\$ 28,603</u> | <u>\$ 31,151</u> | <u>\$ 56,297</u> | <u>\$ 56,146</u> |
| <u>Table of Reconciliation from GAAP Net Income (Loss) Attributable to Verint Systems Inc. Common Shares to Non-GAAP Net Income Attributable to Verint Systems Inc. Common Shares</u> | | | | |
| GAAP net income (loss) attributable to Verint Systems Inc. common shares | \$ 6,768 | \$ 7,921 | \$ 3,107 | \$ (11,690) |
| Total GAAP net income (loss) adjustments | <u>18,128</u> | <u>19,676</u> | <u>45,934</u> | <u>60,879</u> |
| Non-GAAP net income attributable to Verint Systems Inc. common shares | <u>\$ 24,896</u> | <u>\$ 27,597</u> | <u>\$ 49,041</u> | <u>\$ 49,189</u> |
| <u>Table Comparing GAAP Diluted Net Income (Loss) Per Common Share Attributable to Verint Systems Inc. to Non-GAAP Diluted Net Income Per Common Share Attributable to Verint Systems Inc.</u> | | | | |
| GAAP diluted net income (loss) per common share attributable to Verint Systems Inc. | <u>\$ 0.17</u> | <u>\$ 0.23</u> | <u>\$ 0.08</u> | <u>\$ (0.35)</u> |
| Non-GAAP diluted net income per common share attributable to Verint Systems Inc. | <u>\$ 0.57</u> | <u>\$ 0.69</u> | <u>\$ 1.13</u> | <u>\$ 1.25</u> |

| | | | | |
|-----------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|
| Shares used in computing GAAP diluted net income (loss) per common share (in thousands) | <u>39,377</u> | <u>35,006</u> | <u>39,239</u> | <u>32,972</u> |
| Shares used in computing non-GAAP diluted net income per common share (in thousands) | <u>49,949</u> | <u>45,178</u> | <u>49,760</u> | <u>45,071</u> |

Table 3
Verint Systems Inc. and Subsidiaries
Segment Revenue
(Unaudited)
(In thousands)

| | <u>Three Months Ended July 31,</u> | | <u>Six Months Ended July 31,</u> | |
|---------------------------------------------|------------------------------------|-------------------|----------------------------------|-------------------|
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| GAAP Revenue By Segment | | | | |
| Workforce Optimization Segment | \$ 105,654 | \$ 94,795 | \$ 202,923 | \$ 191,675 |
| Video Intelligence Segment | 39,939 | 37,060 | 69,974 | 68,605 |
| Communications Intelligence Segment | 49,366 | 48,821 | 98,394 | 93,009 |
| Total Video and Communications Intelligence | 89,305 | 85,881 | 168,368 | 161,614 |
| GAAP Total Revenue | \$ 194,959 | \$ 180,676 | \$ 371,291 | \$ 353,289 |
| Revenue adjustments related to acquisitions | \$ 727 | \$ — | \$ 962 | \$ — |
| Non-GAAP Revenue By Segment | | | | |
| Workforce Optimization Segment | \$ 105,654 | \$ 94,795 | \$ 202,923 | \$ 191,675 |
| Video Intelligence Segment | 40,666 | 37,060 | 70,936 | 68,605 |
| Communications Intelligence Segment | 49,366 | 48,821 | 98,394 | 93,009 |
| Total Video and Communications Intelligence | 90,032 | 85,881 | 169,330 | 161,614 |
| Non-GAAP Total Revenue | \$ 195,686 | \$ 180,676 | \$ 372,253 | \$ 353,289 |

Table 4
Verint Systems Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited)
(In thousands, except share and per share data)

| | <u>July 31,</u> <u>2011</u> | <u>January 31,</u> <u>2011</u> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-----------------------------------|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 179,147 | \$ 169,906 |
| Restricted cash and bank time deposits | 15,647 | 13,639 |
| Accounts receivable, net | 155,309 | 150,769 |
| Inventories | 19,722 | 16,987 |
| Deferred cost of revenue | 5,529 | 6,269 |
| Prepaid expenses and other current assets | 49,384 | 44,374 |
| Total current assets | 424,738 | 401,944 |
| Property and equipment, net | 24,386 | 23,176 |
| Goodwill | 753,972 | 738,674 |
| Intangible assets, net | 146,927 | 157,071 |
| Capitalized software development costs, net | 6,064 | 6,787 |
| Long-term deferred cost of revenue | 17,330 | 21,715 |
| Other assets | 32,608 | 26,760 |
| Total assets | \$ 1,406,025 | \$ 1,376,127 |
| Liabilities, Preferred Stock, and Stockholders' Equity | | |
| Current Liabilities: | | |
| Accounts payable | \$ 39,596 | \$ 36,861 |
| Accrued expenses and other current liabilities | 148,161 | 163,029 |
| Current maturities of long-term debt | 6,000 | — |
| Deferred revenue | 145,553 | 142,465 |
| Liabilities to affiliates | 1,964 | 1,847 |
| Total current liabilities | 341,274 | 344,202 |
| Long-term debt | 591,105 | 583,234 |
| Long-term deferred revenue | 30,237 | 40,424 |
| Other liabilities | 41,391 | 45,038 |
| Total liabilities | 1,004,007 | 1,012,898 |
| Preferred Stock - \$0.001 par value; authorized 2,500,000 shares. Series A convertible preferred stock; 293,000 shares issued and outstanding; aggregate liquidation preference and redemption value of \$345,257 at July 31, 2011. | 285,542 | 285,542 |
| Commitments and Contingencies | | |
| Stockholders' Equity: | | |
| Common stock - \$0.001 par value; authorized 120,000,000 shares. Issued 39,070,000 and 37,349,000 shares, respectively; outstanding 38,787,000 and 37,089,000 shares, as of July 31, 2011 and January 31, 2011, respectively. | 39 | 38 |
| Additional paid-in capital | 540,744 | 519,834 |
| Treasury stock, at cost — 283,000 and 260,000 shares as of July 31, 2011 and January 31, 2011, respectively. | (7,466) | (6,639) |
| Accumulated deficit | (384,394) | (394,757) |
| Accumulated other comprehensive loss | (36,364) | (42,069) |
| Total Verint Systems Inc. stockholders' equity | 112,559 | 76,407 |
| Noncontrolling interest | 3,917 | 1,280 |
| Total liabilities stockholders' equity | 116,476 | 77,687 |
| Total liabilities, preferred stock, and stockholders' equity | \$ 1,406,025 | \$ 1,376,127 |

Table 5
Verint Systems Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(In thousands)

| | Six Months Ended July 31, | |
|-------------------------------------------------------------------------------------------------|---------------------------|-------------------|
| | 2011 | 2010 |
| Cash flows from operating activities: | | |
| Net income (loss) | \$ 12,829 | \$ (3,225) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 25,539 | 23,952 |
| Stock-based compensation | 11,640 | 15,636 |
| Non-cash losses on derivative financial instruments, net | 1,907 | 3,347 |
| Loss on extinguishment of debt | 8,136 | — |
| Other non-cash items, net | 3,294 | 867 |
| Changes in operating assets and liabilities, net of effects of business combination: | | |
| Accounts receivable | (4,491) | (5,447) |
| Inventories | (2,860) | (2,124) |
| Deferred cost of revenue | 5,692 | 9,273 |
| Prepaid expenses and other assets | (3,417) | 2,936 |
| Accounts payable and accrued expenses | (16,207) | (3,798) |
| Deferred revenue | (10,432) | (33,273) |
| Other, net | (3,792) | (2,632) |
| Net cash provided by operating activities | 27,838 | 5,512 |
| Cash flows from investing activities: | | |
| Cash paid for business combinations, net of cash acquired | (11,958) | (15,292) |
| Purchases of property and equipment | (6,715) | (3,550) |
| Settlements of derivative financial instruments not designated as hedges | (1,178) | (11,997) |
| Cash paid for capitalized software development costs | (1,662) | (858) |
| Change in restricted cash and bank time deposits | (1,883) | (9,720) |
| Other investing activities | (1,230) | — |
| Net cash used in investing activities | (24,626) | (41,417) |
| Cash flows from financing activities: | | |
| Proceeds from borrowings, net of original issuance discount | 597,000 | — |
| Repayments of borrowings and other financing obligations | (583,786) | (22,679) |
| Payment of debt issuance and other debt-related costs | (15,034) | (3,688) |
| Proceeds from exercises of stock options | 8,716 | 11,650 |
| Purchases of treasury stock | (827) | (4,146) |
| Other financing activities | (2,004) | — |
| Net cash provided by (used in) financing activities | 4,065 | (18,863) |
| Effect of exchange rate changes on cash and cash equivalents | 1,964 | (1,368) |
| Net increase (decrease) in cash and cash equivalents | 9,241 | (56,136) |
| Cash and cash equivalents, beginning of period | 169,906 | 184,335 |
| Cash and cash equivalents, end of period | \$ 179,147 | \$ 128,199 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest | \$ 15,427 | \$ 10,236 |
| Cash paid for income taxes, net of refunds received | \$ 7,780 | \$ 3,244 |
| Non-cash investing and financing transactions: | | |
| Accrued but unpaid purchases of property and equipment | \$ 659 | \$ 936 |
| Inventory transfers to property and equipment | \$ 332 | \$ 87 |
| Liabilities for contingent consideration in business combinations | \$ 904 | \$ 3,224 |
| Stock options exercised, proceeds received subsequent to period end | \$ 17 | \$ 285 |
| Accrued but unpaid debt issuance and other debt-related costs | \$ — | \$ 310 |
| Supplier financing arrangements | \$ — | \$ 1,480 |

Verint Systems Inc. and Subsidiaries
Supplemental Information About Non-GAAP Financial Measures

This press release contains non-GAAP financial measures. Table 2 includes a reconciliation of each non-GAAP financial measure presented in this press release to the most directly comparable GAAP financial measure. Non-GAAP financial measures should not be considered in isolation or as a substitute for comparable GAAP financial measures. The non-GAAP financial measures we present have limitations in that they do not reflect all of the amounts associated with our results of operations as determined in accordance with GAAP, and these non-GAAP financial measures should only be used to evaluate our results of operations in conjunction with the corresponding GAAP financial measures. These non-GAAP financial measures do not represent discretionary cash available to us to invest in the growth of our business, and we may in the future incur expenses similar to or in addition to the adjustments made in these non-GAAP financial measures.

We believe that the non-GAAP financial measures we present provide meaningful supplemental information regarding our operating results primarily because they exclude certain non-cash charges or items that we do not believe are reflective of our ongoing operating results when budgeting, planning and forecasting, determining compensation, and when assessing the performance of our business with our individual operating segments or our senior management. We believe that these non-GAAP financial measures also facilitate the comparison by management and investors of results between periods and among our peer companies. However, those companies may calculate similar non-GAAP financial measures differently than we do, limiting their usefulness as comparative measures.

Adjustments to Non-GAAP Financial Measures

Revenue adjustments related to acquisitions. We exclude from our non-GAAP revenue the impact of fair value adjustments required under GAAP relating to acquired customer support contracts which would have otherwise been recognized on a standalone basis. We exclude these adjustments from our non-GAAP financial measures because these are not reflective of our ongoing operations.

Amortization of acquired intangible assets, including acquired technology. When we acquire an entity, we are required under GAAP to record the fair value of the intangible assets of the acquired entity and amortize it over their useful lives. We exclude the amortization of acquired intangible assets, including acquired technology, from our non-GAAP financial measures. These expenses are excluded from our non-GAAP financial measures because they are non-cash charges. In addition, these amounts are inconsistent in amount and frequency and are significantly impacted by the timing and size of acquisitions. Thus, we also exclude these amounts to provide better comparability of pre- and post-acquisition operating results.

Stock-based compensation expenses. We exclude stock-based compensation expenses related to stock options, restricted stock awards and units, and phantom stock from our non-GAAP financial measures. These expenses are excluded from our non-GAAP financial measures because they are primarily non-cash charges. In recent periods, we also incurred significant cash-settled stock compensation due to our extended filing delay and restrictions on our ability to issue new shares of common stock to our employees.

Other adjustments. We exclude from our non-GAAP financial measures legal, other professional fees and certain other expenses associated with acquisitions and certain extraordinary transactions, in both cases, whether or not consummated. Also excluded are changes in the fair value of contingent consideration liabilities associated with business combinations. These expenses are excluded from our non-GAAP financial measures because we believe that they are not reflective of our ongoing operations.

Expenses related to our filing delay. We exclude from our non-GAAP financial measures expenses related to our restatement of previously filed financial statements and our extended filing delay. These expenses included professional fees and related expenses, as well as expenses associated with a special cash retention program.

These expenses are excluded from our non-GAAP financial measures because we believe that they are not reflective of our ongoing operations.

Unrealized (gains) losses on derivatives, net. We exclude from our non-GAAP financial measures unrealized gains and losses on interest rate swaps and foreign currency derivatives. These gains and losses are excluded from our non-GAAP financial measures because they are non-cash transactions.

Loss on extinguishment of debt. We exclude from our non-GAAP financial measures loss on extinguishment of debt attributable to refinancing of our debt because we believe it is not reflective of our ongoing operations.

Non-cash tax adjustments. Non-cash tax adjustments represent the difference between the amount of taxes we actually paid and our GAAP tax provision on an annual basis. On a quarterly basis, this adjustment reflects our expected annual effective tax rate on a cash basis.