

NICE SYSTEMS LTD
Form 424B5
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Registration Number 333-127883

PROSPECTUS SUPPLEMENT
(To Prospectus dated October 21, 2005)

4,000,000 American Depositary Shares

Representing 4,000,000 Ordinary Shares

NICE-Systems Ltd.

We are offering for sale 4,000,000 American Depositary Shares, which we refer to as ADSs. Each ADS represents one ordinary share. The ADSs are evidenced by American Depositary Receipts.

Our ADSs are quoted on the Nasdaq National Market under the symbol "NICE." The ordinary shares are traded on the Tel Aviv Stock Exchange. The last reported sales price of our ADSs on the Nasdaq National Market on December 8, 2005 was \$46.73 per ADS and the last reported sales price for the ordinary shares on the Tel Aviv Stock Exchange was NIS 219.30 per share (or \$47.31).

Investing in our ADSs involves a high degree of risk. See "Risk Factors" beginning on page 4 of the accompanying prospectus.

	Per ADS	Total
Offering price	\$ 46.2500	\$ 185,000,000
Discounts and commissions to underwriters	\$ 2.3125	\$ 9,250,000
Offering proceeds to us, before expenses	\$ 43.9375	\$ 175,750,000

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus supplement or the accompanying prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

We have granted to the underwriters the right to purchase up to 600,000 additional ADSs to cover any over-allotments. The underwriters can exercise this right at any time within 30 days after the offering. The underwriters expect to deliver the ADSs through the book-entry facilities of The Depository Trust Company to investors on or about December 14, 2005.

Joint Book-Running Managers

JPMorgan

Banc of America Securities LLC

CIBC World Markets

UBS Investment Bank

RBC Capital Markets
December 8, 2005

William Blair & Company

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You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front of this prospectus supplement.

Neither this prospectus supplement nor the accompanying prospectus is an offer to sell these securities or our solicitation of your offer to buy the securities in any jurisdiction whether that would not be permitted or legal. Neither the delivery of this prospectus supplement and the accompanying prospectus nor any sales made hereunder after the date of this prospectus supplement shall create an implication that the information contained herein or that our affairs have not changed since the date hereof.

This prospectus supplement is part of and should be read in conjunction with the accompanying prospectus. The information we present in this prospectus supplement may add, update or change information included in the accompanying prospectus. If information in this prospectus supplement, or the information incorporated by reference in the accompanying prospectus, is inconsistent with the accompanying prospectus, this prospectus supplement, or the information incorporated by reference in the accompanying prospectus, will apply and supersede the information in the accompanying prospectus.

FORWARD LOOKING STATEMENTS

We make statements in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein that are considered forward-looking statements under U.S. federal securities laws. Such forward-looking statements are based on the beliefs of our management as well as assumptions made by and information currently available to them. The words "strategy," "expect," "continue," "plan," "anticipate," "believe," "may," "estimate," "intend," "project," "goal," "target" and similar expressions and variations of such terms or the negative of such terms, are intended to identify such forward-looking statements.

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 constituted 22.0% of our revenues for the nine months ended September 30, 2005; the financial strength of our key distribution partners; and the market's acceptance of our technologies, products and solutions.

All forward-looking statements are subject to certain risks, uncertainties and assumptions. If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results, performance or

achievements could differ materially from those expressed in, or implied by, any such forward-looking statements. Important factors that could cause or contribute to such difference include, 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, as well as those discussed in this prospectus supplement and the accompanying prospectus, our annual report on Form 20-F, our reports on Form 6-K and other reports filed with or furnished to the United States Securities and Exchange Commission.

You should not place undue reliance on such forward-looking statements, which speak only as of their dates. We do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus. This is not intended to be a complete description of the matters covered in this prospectus supplement and the accompanying prospectus and is subject to, and qualified in its entirety by, reference to the more detailed information and financial statements (including the notes thereto) included or incorporated by reference in this prospectus supplement and the accompanying prospectus. Unless we have indicated otherwise or the context otherwise requires, references in this prospectus supplement and in the accompanying prospectus to "NICE," "the Company," "we," "us" and "our" refer to NICE-Systems Ltd., a company organized under the laws of the State of Israel, and its wholly owned subsidiaries. In this prospectus supplement and the accompanying prospectus, 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. Unless otherwise indicated, all information in this prospectus supplement assumes that the underwriters' option to purchase up to an additional 600,000 ADSs is not exercised.

Our Company

We are a leading provider of solutions that capture, manage and analyze unstructured multimedia content enabling companies and public organizations to enhance business and operational performance, address security threats and take proactive actions. Unstructured multimedia content includes phone calls to contact centers and back offices, video captured by closed circuit television cameras, radio communications between emergency services personnel, email and instant messaging. Our solutions include integrated, scalable, multimedia recording platforms, enhanced software applications and related professional services. These solutions address critical business processes and risk management, compliance procedures and security needs of corporations or government agencies. Our solutions facilitate faster decision-making and near real-time action, improving business and employee performance, and enhancing security and public safety. Our customers use our systems in a variety of enterprises, such as financial services, health care, outsourcers, retail, service providers, telecommunications, and utilities. Our public safety and security customers include air traffic control, correctional facilities, emergency services, gaming facilities, government intelligence agencies, homeland security and public transportation. Our solutions are deployed at over 23,000 customers, including over 75 of the Fortune 100 companies, across over 40,000 sites around the world.

Industry Background and Trends

Increased focus on business productivity, operational performance and customer profitability. Companies are increasingly focused on improving productivity and increasing profitability by creating better-quality customer experiences and through achieving higher efficiencies across the enterprise. These objectives require organizations to better manage their customer, partner and employee relationships, analyze critical customer data, maximize the value of customer interactions and execute customer-focused business processes. Given the high cost of acquiring additional customers and the maturation of many once fast growing industries, it is increasingly important to convert potential customers to new customers and to maximize revenue from the retention and continued satisfaction of current customers. Similarly, due to the high cost of hiring and training new employees, it is important for organizations to address employee concerns in a timely fashion to maximize employee retention and productivity.

In the past, companies have invested in business intelligence solutions and operational systems, which rely on structured transactional data contained in Customer Relationship Management (CRM), Enterprise Resource Planning (ERP) and other related application databases. Traditional business intelligence solutions unlock value contained in these structured data by describing what has happened in any given transaction, and then, by examining patterns in historical data, attempting to predict future customer behavior. Recently, however, companies have recognized the value contained in other types of data, including the vast amounts of unstructured multimedia content that is generated by

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ongoing interactions with their customers, employees or partners. By employing software-based analytics on unstructured multimedia content, companies are able to detect customer intent, often through near real-time interactions where a customer may express concerns, desires or provide other signals of their intentions. Equipped with such an "early detection" system, companies can take proactive measures to reduce customer churn, focus their marketing efforts and address employee dissatisfaction. By better understanding unstructured data, companies can develop a more comprehensive view across the enterprise, increase revenue and improve service quality, productivity and profitability.

Increased regulatory and compliance requirements and the high cost of dispute resolution. Regulatory pressures have increased for corporations and public organizations worldwide, especially in the wake of recent well-publicized accounting scandals. For example, regulations such as the Sarbanes-Oxley Act of 2002 and the pending financial guidelines established by the International Financial Reporting Standards Board have heightened the complexity of corporate and governmental compliance. In addition, the hiring of additional finance and accounting employees and increased civil penalties and auditor expenses have raised the financial costs of both noncompliance and ongoing compliance. Moreover, it continues to be important to be able to resolve certain communication disputes, such as between counterparties in a securities trade, in an efficient and definitive manner. Existing business intelligence and other IT solutions have addressed these growing challenges to some degree. However, companies and public organizations require improved solutions that not only provide better compliance but also more current, near real-time information with increased operational visibility. These solutions need to reduce the costs associated with ongoing compliance, while creating the required audit trail for regulatory purposes.

Internet Protocol adoption driving proliferation of multimedia content. Over the last several years, the growth of Internet Protocol (IP) based communications have expanded the types of interactions between companies and their customers, employees and partners. This proliferation, together with businesses' replacement of legacy communications systems, has created additional growth in the need for IP-based communications solutions. To remain competitive, businesses offer email, Internet and other multimedia, IP-based transmissions, such as Voice-over-Internet-Protocol (VoIP), in addition to traditional means of communications, such as mail and analog

voice calls. We believe public safety organizations are also increasingly adopting the flexibility and lower cost of IP-based technologies in their efforts to respond to public safety and security threats. Due to these and other trends, the amount and types of communications within businesses have increased dramatically. As a result, many businesses are faced with the increasing challenge of better understanding the variety of unstructured multimedia content generated by these customer, employee and partner interactions.

Increased focus on physical corporate security. Companies operating throughout the world have recognized that threats to their physical facilities, IT networks, and personnel need to be addressed at all times. For example, many companies have determined that they need to establish measures for personnel screening and observation, invest in enhanced physical security measures and incident response capability, and deploy a variety of systems to address network-based vulnerabilities. As a result of these global trends in security needs, more companies face the growing challenge of storing and analyzing vast amounts of content, such as voice, video and other IP-based communications, captured by an increasing variety of detection devices, such as closed circuit television.

New challenges for public safety and homeland security. Recent terrorist attacks around the world have significantly changed the geopolitical landscape and created long-term consequences for public safety, security and intelligence agencies. These agencies face new challenges in detecting, protecting and effectively responding to threats to public safety and homeland security. As a result of these global trends, security organizations face the growing challenge of storing and analyzing vast amounts of multimedia content generated by traditional and IP-based communications captured by an increasing variety of detection devices. Emergency services and public organizations require increasingly sophisticated solutions to analyze this content in order to strengthen the measures they

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take for public safety and security. These solutions need to identify threats as they occur and analyze video footage to identify suspicious objects or behavior more quickly and effectively.

Our Solutions

We have developed fully integrated solutions that include software applications that can be deployed in a modular manner. This flexibility allows our customers to incorporate additional functions and capabilities as their business or operational needs change.

The key features of our solutions are:

Ability to capture and manage vast amounts of complex, unstructured content. Our solutions record and store a wide variety of unstructured content, allowing both our enterprise and public safety and security customers to capture valuable existing and new customer interaction data. They are designed to optimally manage the storage and retrieval of unstructured data within centralized data storage warehouses, which maximizes the efficiency of our customers' networked environments. Our solutions can be integrated with various enterprise software applications and storage systems. As a result, our solutions enable our customers to capture and manage efficiently and reliably the vast amounts of unstructured data that are generated by their daily operations. This allows our customers to gain insight, improve profitability, enhance operational effectiveness and meet compliance and regulatory requirements.

Near real-time insights, utilizing proprietary analytic capabilities. We have developed advanced analytics and applications that allow our customers to derive critical insights from the vast amounts of unstructured data that they capture. Our solutions provide valuable insights into important, but previously unscrutinized, interactions and the

unstructured content generated by these interactions. For example, our contact center customers are able to immediately review and react to interactions with their callers. Our solutions enable our enterprise customers to detect early signs of customer churn, gain valuable information about competitors, and identify critical market information during these interactions. Our solutions enable our public safety and security customers to identify threats as they occur, and analyze video footage to identify suspicious objects or behavior more quickly and effectively. Based on these insights, our customers are better equipped to adapt and respond to changes in the market or their safety environment. Our business customers are able to increase revenue, maintain a complete view across the enterprise, and improve quality, productivity and profitability. Similarly, by extracting intelligence and insight from captured voice and video content, our solutions enable public safety and security organizations to better respond to threats, prevent intrusions, detect irregular behavior, reduce crime and accelerate investigations.

Our Strategy

The key elements of our strategy include the following:

Drive market adoption of next-generation business intelligence solutions in both the enterprise and public safety and security markets. We believe there is a growing unmet need to capture, manage and analyze unstructured data in a wide variety of business and operational environments. Accordingly, we plan to continue to target this market through focused sales, marketing and customer education efforts. Moreover, we plan to continue to invest in research and development and strategic alliances to enhance our industry-leading solutions, delivering superior insight into driving improved operational and business results. We will continue to leverage the technology, operational and partnership synergies we derive from serving both the enterprise and public safety and security markets.

Increase market share through our strategic alliances. We have strong strategic relationships with industry leaders such as Avaya, IPC, SAS, Motorola, Siemens and BT. We intend to continue to leverage those and additional relationships to increase the value of our solutions to our end customers. For example, we have recently signed a strategic alliance with SAS to jointly offer a next generation business intelligence solution. This solution allows enterprises to link their billing, CRM,

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ERP and other systems' transactional data with their unstructured multimedia interaction data, thereby providing a more complete view of their customers' needs and potential revenue expansion opportunities.

Expand and leverage our position within our existing customer base. Our solutions are deployed at over 23,000 customers, including over 75 of the Fortune 100 companies, across over 40,000 sites around the world. Many customers are still using previous generations of our products. Through our market leading position in the most demanding environments, including trading floors, emergency services and transportation authorities, we believe there are abundant opportunities to expand within this customer base and migrate it to our next-generation solutions.

Continue to pursue selective, disciplined acquisitions. We have a successful acquisition history spanning eight transactions over the past eight years. We intend to continue augmenting our organic growth through additional acquisitions that broaden our product and technology portfolio, expand our presence in selected geographic areas, broaden our customer base, and increase our distribution channels and vertical market access. We believe our acquisition strategy is aligned with our customers' desire to procure broader, higher value solutions from a smaller group of strategic vendors.

Deliver integrated end-to-end solutions to new and existing customers. We believe there is a growing need for vendors that can deliver a complete offering, both in the enterprise and in the public safety and security markets. With one of the largest service organizations in the industry, we are well positioned to deliver such offerings. These offerings include the provisioning of services in designing a solution around the customers' needs, the deployment of those solutions and the ongoing delivery of maintenance services following such implementations. We intend to continue to increase our direct sales force to expand the sale of these solutions, which provides increased services revenues and closer customer relationships.

Recent Development

FAST Video Security AG

On November 17, 2005, we signed an agreement to acquire all the outstanding shares of FAST Video Security AG, a Switzerland-based developer of innovative video systems for security and surveillance purposes. Under the agreement, we would acquire FAST Video Security AG for approximately \$21 million in cash at closing, with potential earn-outs based on performance milestones amounting to a maximum of \$12 million payable over the next three years. The transaction is subject to the satisfaction of customary closing conditions and is anticipated to close in early 2006.

We expect that this acquisition of complementary digital video solutions will help us strengthen our position in the video security market by enabling us to offer a full suite of smart IP-based solutions and technologies. We expect that this transaction will expand our presence in Europe and the Asia Pacific region with significant distribution channels and partners, which are expected to present synergies with our current distribution structure. This would allow us to accelerate our support of governments and public institutions all over the world in their efforts to improve public safety and security.

Corporate Information

Our principal executive offices are located at 8 Hapnina Street, P.O. Box 690, 43107 Ra'anana, Israel, where our telephone number is +972-9-775-3030 and our facsimile number is +972-9-743-4282. Our U.S. headquarters is located at 301 Route 17 North, 10th Floor, Rutherford, New Jersey 07070, where our telephone number is +1-201-964-2600 and our facsimile number is +1-201-964-2610.

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The Offering

Issuer:	NICE-Systems Ltd.
American Depositary Shares Offered:	4,000,000 American Depositary Shares
Issued Ordinary Share Capital After This Offering:	23,346,015 ordinary shares ¹
Ordinary Shares per ADS:	One ordinary share per ADS
Offering Price:	\$46.25
Use of Proceeds:	We expect to use the net proceeds of this offering for future acquisitions and general corporate purposes, including capital expenditures and working capital.

Pending their use, we intend to invest the net proceeds in investment grade and government backed securities.

NASDAQ Symbol:

NICE

Risk Factors:

See "Risk Factors" beginning on page 4 of the accompanying prospectus.

¹Does not include the 600,000 ordinary shares that would be issued upon exercise in full of the underwriters' option to purchase additional ADSs to cover over-allotments.

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Summary Consolidated Financial and Other Data

The following table is a summary of our consolidated financial and other data. The following summary consolidated financial data for the years ended December 31, 2002, 2003 and 2004 is derived from our audited consolidated financial statements, and the summary consolidated financial data for the nine months ended September 30, 2004 and 2005 is derived from our unaudited interim consolidated financial statements, which in each case have been prepared in accordance with generally accepted accounting principles in the United States (GAAP). You should read it in conjunction with our historical financial information and other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus including "Selected Consolidated Financial and Other Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes. Results for the nine months ended September 30, 2005 are not necessarily indicative of the results to be expected for the full year.

	Years Ended December 31,			Nine Months Ended	
	2002	2003	2004	2004	2005
				(unaudited)	
	(in thousands of U.S. dollars, except per share data)				
OPERATING DATA					
Revenues:					
Products	\$ 127,896	\$ 168,055	\$ 182,616	\$ 131,221	\$ 149,028
Services	27,445	56,203	70,027	51,903	72,041
Total revenues	155,341	224,258	252,643	183,124	221,069
Cost of revenues:					
Products	55,453	64,231	64,432	46,728	48,980
Services	26,054	42,084	49,876	37,006	48,648
Total cost of revenues	81,507	106,315	114,308	83,734	97,628
Gross profit	73,834	117,943	138,335	99,390	123,441
Operating expenses:					
Research and development, net	17,122	22,833	24,866	18,517	21,527
Selling and marketing	38,685	53,351	61,855	46,102	53,226
General and administrative	23,806	29,840	31,269	23,453	27,486
Amortization of acquired intangible assets	58	350	317	263	789

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Other special charges	29,092	7,082	—	—	—
Total operating expenses	108,763	113,456	118,307	88,335	103,028
Operating income (loss)	(34,929)	4,487	20,028	11,055	20,413
Financial income, net	3,992	2,034	3,556	2,771	3,554
Other income (expenses), net	(4,065)	292	54	—	—
Income (loss) before taxes on income	(35,002)	6,813	23,638	13,826	23,967
Taxes on income	350	1,205	2,319	1,525	3,521
Net income (loss) from continuing operations	(35,352)	5,608	21,319	12,301	20,446
Net income (loss) from discontinuing operations	1,370	1,483	3,236	3,236	—
Net income (loss)	\$ (33,982)	\$ 7,091	\$ 24,555	\$ 15,537	\$ 20,446
Basic earnings (loss) per share:					
Continuing operations	\$ (2.56)	\$ 0.35	\$ 1.22	\$ 0.71	\$ 1.09
Discontinued operations	0.10	0.09	0.18	0.18	—
Net earnings (loss)	\$ (2.46)	\$ 0.44	\$ 1.40	\$ 0.89	\$ 1.09
Weighted average number of shares used in computing basic earnings (loss) per share (in thousands)	13,795	16,038	17,497	17,365	18,768
Diluted earnings (loss) per share:					
Continuing operations	\$ (2.56)	\$ 0.33	\$ 1.14	\$ 0.66	\$ 1.01
Discontinued operations	0.10	0.09	0.17	0.18	—
Net earnings (loss)	\$ (2.46)	\$ 0.42	\$ 1.31	\$ 0.84	\$ 1.01
Weighted average number of shares used in computing diluted earnings (loss) per share (in thousands)	13,795	16,781	18,703	18,557	20,306
NON-GAAP FINANCIAL MEASURES (unaudited)					
Adjusted net income (loss)	\$ (1,907)	\$ 13,568	\$ 22,234	\$ 13,012	\$ 22,243
Adjusted basic net earnings (loss) per share	\$ (0.14)	\$ 0.85	\$ 1.27	\$ 0.75	\$ 1.19
Adjusted diluted net earnings (loss) per share	\$ (0.14)	\$ 0.81	\$ 1.19	\$ 0.70	\$ 1.10

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The as adjusted information in the following consolidated balance sheet data table gives effect to the sale of 4,000,000 ADSs in this offering at the offering price of \$46.25 per share and the receipt by us of \$174,750,000 in estimated net proceeds from the offering, after deducting the underwriting discounts and commissions and estimated offering expenses.

As of
September 30, 2005
Actual As Adjusted
(unaudited)

(in thousands of U.S. dollars)

CONSOLIDATED BALANCE SHEET DATA

Cash, cash equivalents and short-term investments	\$	60,895	\$	235,645
Working capital		41,249		215,999
Long-term marketable securities		124,029		124,029
Total assets		373,457		548,207
Total liabilities		116,123		116,123
Total shareholders' equity	\$	257,334	\$	432,084

Non-GAAP Financial Measures

To supplement the consolidated financial results prepared in accordance with GAAP, we include Adjusted Net Income (Loss), Adjusted Basic Net Earnings (Loss) Per Share and Adjusted Diluted Net Earnings (Loss) Per Share, which are non-GAAP financial measures, in this "Summary Consolidated Financial and Other Data" and in our quarterly press releases. These non-GAAP financial measures consist of GAAP financial measures adjusted to exclude amortization of acquired intangible assets, goodwill impairment, in-process research and development write-off, restructuring expenses and legal settlements, and to exclude net income from discontinued operations. The purpose of such adjustments is to give an indication of our performance exclusive of non-cash charges and other items that are considered by management to be outside of our core operating results. As these non-GAAP financial measures exclude the effects of discontinued operations, we believe they provide a meaningful comparison of results in periods occurring before and after the applicable disposition. They also exclude amortization of acquired intangible assets because we believe these excluded costs are not related to our operating performance. We believe these non-GAAP financial measures provide consistent and comparable measures to help investors understand our current and future operating cash flow performance and management uses them as a basis for planning and forecasting future periods. These non-GAAP financial measures may differ materially from the non-GAAP financial measures used by other companies and should not be regarded as a replacement for corresponding GAAP measures.

The following table reconciles Adjusted Net Income (Loss), Adjusted Basic Net Earnings (Loss) Per Share and Adjusted Diluted Net Earnings (Loss) Per Share to Net Income (Loss), Basic Net Earnings (Loss) Per Share and Diluted Net Earnings (Loss) Per Share, respectively, in each case the most directly comparable GAAP measure.

	Years Ended December 31,			Nine Months Ended September 30,	
	2002	2003	2004	2004	2005
	(unaudited)			(unaudited)	
	(in thousands of U.S. dollars, except per share data)				
GAAP net income (loss)	\$ (33,982)	\$ 7,091	\$ 24,555	\$ 15,537	