

Verint Systems Inc. and Subsidiaries

Information About Non-GAAP Financial Measures

The following tables include a reconciliation of certain financial measures prepared in accordance with Generally Accepted Accounting Principles ("GAAP") to the most directly comparable financial measures not prepared in accordance with GAAP ("non-GAAP"). 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 in the following tables 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 that 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 the adjustments made in these non-GAAP financial measures.

We believe that the non-GAAP financial measures we present in the following tables 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, these companies may calculate similar non-GAAP financial measures differently than we do, limiting their usefulness as comparative measures.

Our non-GAAP financial measures reflect adjustments to the corresponding GAAP financial measure based on the items set forth below. The purpose of these adjustments is to give an indication of our performance exclusive of certain non-cash charges and other items that are considered by our senior management to be outside of our ongoing operating results.

Amortization of acquired intangible assets, including acquired technology. When we acquire an entity, we are required under GAAP to record the fair values 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 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. 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 they are not reflective of our ongoing operations.

Unrealized (gains) and 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.

Non-cash tax adjustments. Non-cash tax adjustments represent the differences 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.

Reconciliation of GAAP to Non-GAAP Results
(In thousands, except per share data)

	Three Months Ended			Year Ended
	April 30, 2010	July 31, 2010	October 31, 2010	
GAAP gross profit	\$ 114,806	\$ 120,330	\$ 127,700	\$ 488,455
Amortization of acquired technology	2,233	2,220	2,256	9,094
Stock-based compensation expenses	2,408	1,235	1,657	6,206
Non-GAAP gross profit	\$ 119,447	\$ 123,785	\$ 131,613	\$ 503,755

Table of Reconciliation from GAAP Gross Profit to Non-GAAP Gross Profit

GAAP gross profit	\$ 114,806	\$ 120,330	\$ 127,700	\$ 488,455
Amortization of acquired technology	2,233	2,220	2,256	9,094
Stock-based compensation expenses	2,408	1,235	1,657	6,206
Non-GAAP gross profit	\$ 119,447	\$ 123,785	\$ 131,613	\$ 503,755

Table of Reconciliation from GAAP Operating Income (Loss) to Non-GAAP Operating Income

GAAP operating income (loss)	\$ (3,982)	\$ 23,799	\$ 30,393	\$ 22,895	\$ 73,105
Amortization of acquired technology	2,233	2,220	2,256	2,385	9,094
Amortization of other acquired intangible assets	5,339	5,338	5,376	5,407	21,460
Stock-based compensation expenses	17,969	8,035	13,090	7,725	46,819
Expenses related to our filing delay	20,213	6,067	815	1,825	28,920
Other adjustments	507	864	1,175	2,642	5,188
Non-GAAP operating income	\$ 42,279	\$ 46,323	\$ 53,105	\$ 42,879	\$ 184,586

Table of Reconciliation from GAAP Other Expense, Net to Non-GAAP Other Expense, Net

GAAP other expense, net	\$ (9,563)	\$ (8,267)	\$ (6,673)	\$ (10,077)	\$ (34,580)
Unrealized (gains) losses on derivatives, net	(3,967)	(3,796)	922	855	(5,986)
Non-GAAP other expense, net	\$ (13,530)	\$ (12,063)	\$ (5,751)	\$ (9,222)	\$ (40,566)

Table of Reconciliation from GAAP Provision (Benefit) for Income Taxes to Non-GAAP Provision for Income Taxes

GAAP provision (benefit) for income taxes	\$ 2,071	\$ 3,141	\$ 5,332	\$ (604)	\$ 9,940
Non-cash tax adjustments	1,091	(948)	(2,962)	1,407	(1,412)
Non-GAAP provision for income taxes	\$ 3,162	\$ 2,193	\$ 2,370	\$ 803	\$ 8,528

Reconciliation of GAAP to Non-GAAP Results
(In thousands, except per share data)

	Three Months Ended			Year Ended	
	April 30, 2010	July 31, 2010	October 31, 2010		January 31, 2011
<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.	\$ (16,208)	\$ 11,475	\$ 17,174	\$ 13,140	\$ 25,581
GAAP net income (loss) adjustments					
Amortization of acquired technology	2,233	2,220	2,256	2,385	9,094
Amortization of other acquired intangible assets	5,339	5,338	5,376	5,407	21,460
Stock-based compensation expenses	17,969	8,035	13,090	7,725	46,819
Other adjustments	507	864	1,175	2,642	5,188
Expenses related to our filing delay	20,213	6,067	815	1,825	28,920
Unrealized (gains) losses on derivatives, net	(3,967)	(3,796)	922	855	(5,986)
Non-cash tax adjustments	(1,091)	948	2,962	(1,407)	1,412
Total GAAP net income (loss) adjustments	41,203	19,676	26,596	19,432	106,907
Non-GAAP net income attributable to Verint Systems Inc.	\$ 24,995	\$ 31,151	\$ 43,770	\$ 32,572	\$ 132,488

<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	\$ (19,611)	\$ 7,921	\$ 13,582	\$ 9,511	\$ 11,403
Total GAAP net income (loss) adjustments	41,203	19,676	26,596	19,432	106,907
Non-GAAP net income attributable to Verint Systems Inc. common shares	\$ 21,592	\$ 27,597	\$ 40,178	\$ 28,943	\$ 118,310

<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.	\$ (0.60)	\$ 0.23	\$ 0.36	\$ 0.25	\$ 0.31
Non-GAAP diluted net income per common share attributable to Verint Systems Inc.	\$ 0.57	\$ 0.69	\$ 0.92	\$ 0.66	\$ 2.79
Shares used in computing GAAP diluted net income per common share (in thousands)	32,663	35,006	47,679	38,641	37,179
Shares used in computing non-GAAP diluted net income per common share (in thousands)	43,946	45,178	47,679	49,012	47,402