

**Condensed Consolidated Balance Sheets**  
(U.S. Dollars in thousands)

	<b>December 31, 2008</b>	<b>December 31, 2009</b>
	(Audited)	(Unaudited)
<b>Current assets</b>		
Cash and cash equivalents	28,065	19,843
Available-for-sale marketable securities	60,731	29,117
Short term bank deposits	-	10,130
Trade receivables, net	13,348	16,097
Other receivables and prepaid expenses	2,046	2,934
Inventories	6,712	9,792
	<u>110,902</u>	<u>87,913</u>
<b>Long-term investments</b>		
Available-for-sale marketable securities	45,112	42,021
Long-term bank deposits	-	25,000
Severance pay funds	1,995	2,514
	<u>47,107</u>	<u>69,535</u>
Property and equipment, net	<u>11,693</u>	<u>11,220</u>
<b>Other assets</b>		
Intangible assets, net	1,856	15,587
Other long-term assets	432	467
Goodwill	13,474	24,616
	<u>15,762</u>	<u>40,670</u>
Total assets	<u>185,464</u>	<u>209,338</u>
<b>Current liabilities</b>		
Trade payables	4,646	5,699
Deferred revenues	14,096	20,734
Other payables and accrued expenses	9,868	11,907
	<u>28,610</u>	<u>38,340</u>
<b>Long-term liabilities</b>		
Deferred Revenues	4,946	16,919
Accrued severance pay	3,846	3,662
	<u>8,792</u>	<u>20,581</u>
<b>Shareholders' equity</b>		
Share capital	465	465
Additional paid-in capital	185,985	192,885
Accumulated other comprehensive income (loss)	(873)	935
Treasury stock, at cost	(17,619)	(18,036)
Accumulated deficit	(19,896)	(25,832)
Total shareholders' equity	<u>148,062</u>	<u>150,417</u>
Total liabilities and shareholders' equity	<u>185,464</u>	<u>209,338</u>

**Condensed Consolidated Statements of Operations**  
**(U.S. Dollars in thousands, except share and per share data)**

	<u>For the Three months ended</u> <u>December 31,</u>		<u>For the Year ended</u> <u>December 31,</u>	
	<u>2008</u> (Unaudited)	<u>2009</u> (Unaudited)	<u>2008</u> (Audited)	<u>2009</u> (Unaudited)
Revenues	24,888	32,118	94,581	108,904
Cost of revenues	<u>7,172</u>	<u>6,564</u>	<u>21,574</u>	<u>22,331</u>
Gross profit	<u>17,716</u>	<u>25,554</u>	<u>73,007</u>	<u>86,573</u>
Operating expenses:				
Research and development	6,741	6,723	28,357	26,052
Selling and marketing	13,614	14,873	63,591	55,696
General and administrative	<u>2,328</u>	<u>2,552</u>	<u>12,066</u>	<u>11,930</u>
Total operating expenses	<u>22,683</u>	<u>24,148</u>	<u>104,014</u>	<u>93,678</u>
Operating income (loss)	(4,967)	1,406	(31,007)	(7,105)
Financial income, net	<u>519</u>	<u>506</u>	<u>3,612</u>	<u>1,987</u>
Income (loss) before income taxes	(4,448)	1,912	(27,395)	(5,118)
Income taxes	<u>(2,684)</u>	<u>(225)</u>	<u>(3,627)</u>	<u>(818)</u>
Net income (loss)	<u>(7,132)</u>	<u>1,687</u>	<u>(31,022)</u>	<u>(5,936)</u>
Basic net income (loss) per share	<u><b>\$ (0.38)</b></u>	<u><b>\$ 0.09</b></u>	<u><b>\$ (1.60)</b></u>	<u><b>\$ (0.31)</b></u>
Weighted average number of shares used to compute basic net income (loss) per share	18,918,438	18,881,697	19,439,776	18,879,230
Diluted net income (loss) per share	<u><b>\$ (0.38)</b></u>	<u><b>\$ 0.09</b></u>	<u><b>\$ (1.60)</b></u>	<u><b>\$ (0.31)</b></u>
Weighted average number of shares used to compute diluted net income (loss) per share	18,918,438	19,347,159	19,439,776	18,879,230

**Reconciliation of Supplemental Financial Information**  
**(U.S. Dollars in thousands, except share and per share data)**

	<b><u>For the Three months ended</u></b>		<b><u>For the Year ended</u></b>	
	<b><u>December 31,</u></b>		<b><u>December 31,</u></b>	
	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
GAAP net income (loss)	<u>(7,132)</u>	<u>1,687</u>	<u>(31,022)</u>	<u>(5,936)</u>
Stock-based compensation expenses, included in:				
Cost of revenues	26	16	103	71
Research and development	302	217	1,459	1,008
Selling and marketing	539	407	2,337	1,730
General and administrative	<u>503</u>	<u>585</u>	<u>2,737</u>	<u>2,176</u>
	<u>1,370</u>	<u>1,225</u>	<u>6,636</u>	<u>4,985</u>
Amortization and impairment of intangible assets included in:				
Cost of revenues	2,218	427	2,782	1,375
Selling and marketing	39	629	156	1,928
Income taxes	<u>41</u>	<u>-</u>	<u>163</u>	<u>-</u>
	<u>2,298</u>	<u>1,056</u>	<u>3,101</u>	<u>3,303</u>
Write-off of deferred tax assets	<u>2,600</u>	<u>-</u>	<u>2,600</u>	<u>-</u>
Non recurring retention expenses, Included in General and Administrative	<u>-</u>	<u>-</u>	<u>2,231</u>	<u>-</u>
Acquisition related expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,485</u>
Unrealized losses (gains) in severance pay funds, included in:				
Research and development	303	-	303	(303)
Selling and marketing	63	-	63	(63)
General and administrative	<u>55</u>	<u>-</u>	<u>55</u>	<u>(55)</u>
	<u>421</u>	<u>-</u>	<u>421</u>	<u>(421)</u>
Non-GAAP net income (loss)	<u>(443)</u>	<u>3,968</u>	<u>(16,033)</u>	<u>4,416</u>
Non-GAAP diluted net income (loss) per share	<u><b>\$ (0.02)</b></u>	<u><b>\$ 0.21</b></u>	<u><b>\$ (0.82)</b></u>	<u><b>\$ 0.23</b></u>
Weighted average number of shares used to compute Non-GAAP diluted net income (loss) per share	18,918,438	19,347,159	19,439,776	18,945,289