

Condensed Consolidated Balance Sheets
(U.S. Dollars in Thousands)

	December 31, 2007	June 30, 2008
	(Audited)	(Unaudited)
Current assets		
Cash and cash equivalents	61,376	49,311
Short-term marketable securities	80,498	41,317
Structured deposit	10,236	-
Trade receivables, net	17,192	13,232
Other receivables and prepaid expenses	3,195	3,586
Inventories	5,428	6,185
	177,925	113,631
Long-term investments		
Long-term marketable securities	2,735	57,949
Severance pay funds	3,940	4,978
	6,675	62,927
Property and equipment, net	12,217	12,722
Other assets		
Intangible assets, net, long-term deferred taxes and other long-term assets	5,776	5,343
Goodwill	13,474	13,474
	19,250	18,817
Total assets	216,067	208,097
Current liabilities		
Trade payables	7,537	5,365
Deferred revenues, other payables and accrued expenses	26,438	30,629
	33,975	35,994
Accrued severance pay	5,379	6,541
Total liabilities	39,354	42,535
Shareholders' equity		
Share capital	482	488
Additional paid-in capital	176,004	181,501
Accumulated other comprehensive income (loss)	150	(1,102)
Treasury stock, at cost	(11,049)	(11,049)
Retained earnings (accumulated deficit)	11,126	(4,276)
Total shareholders' equity	176,713	165,562
Total liabilities and shareholders' equity	216,067	208,097

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

	<u>For the Three months ended June 30, 2007</u> (Unaudited)	<u>For the Three months ended June 30, 2008</u> (Unaudited)	<u>For the Six months ended June 30, 2007</u> (Unaudited)	<u>For the Six months ended June 30, 2008</u> (Unaudited)
Revenues	21,463	24,021	41,183	46,186
Cost of revenues	<u>4,322</u>	<u>4,942</u>	<u>9,410</u>	<u>9,538</u>
Gross profit	<u>17,141</u>	<u>19,079</u>	<u>31,773</u>	<u>36,648</u>
Operating expenses:				
Research and development, net	5,978	7,261	11,185	14,559
Sales and marketing	14,896	16,927	27,922	34,187
General and administrative	<u>1,825</u>	<u>2,578</u>	<u>3,580</u>	<u>4,995</u>
Total operating expenses	<u>22,699</u>	<u>26,766</u>	<u>42,687</u>	<u>53,741</u>
Operating loss	(5,558)	(7,687)	(10,914)	(17,093)
Financial income, net	<u>1,637</u>	<u>921</u>	<u>3,399</u>	<u>2,224</u>
Loss before income taxes	(3,921)	(6,766)	(7,515)	(14,869)
Income taxes	<u>(92)</u>	<u>(306)</u>	<u>(69)</u>	<u>(533)</u>
Net loss	<u>(4,013)</u>	<u>(7,072)</u>	<u>(7,584)</u>	<u>(15,402)</u>
Basic net loss per share	<u>\$ (0.21)</u>	<u>\$ (0.36)</u>	<u>\$ (0.39)</u>	<u>\$ (0.78)</u>
Weighted average number of shares used to compute basic and diluted net loss per share	19,460,835	19,798,753	19,442,657	19,750,006

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

	<u>For the Three months ended June 30, 2007</u>	<u>For the Three months ended June 30, 2008</u>	<u>For the Six months ended June 30, 2007</u>	<u>For the Six months ended June 30, 2008</u>
GAAP Net loss	(4,013)	(7,072)	(7,584)	(15,402)
Stock-based compensation expenses, included in:				
Cost of revenues	22	24	40	53
Research and development, net	347	387	564	796
Sales and marketing	559	600	877	1,238
General and administrative	403	836	784	1,504
	<u>1,331</u>	<u>1,847</u>	<u>2,265</u>	<u>3,591</u>
Amortization of intangible assets and acquisition related expenses, included in:				
Cost of revenues	150	187	223	375
Research and development, net	79	-	158	-
Sales and marketing	43	39	82	78
Income taxes	30	41	54	82
	<u>302</u>	<u>267</u>	<u>517</u>	<u>535</u>
One-time inventory write-off	-	-	1,200	-
Non-GAAP Net loss	<u>(2,380)</u>	<u>(4,958)</u>	<u>(3,602)</u>	<u>(11,276)</u>
Non-GAAP Diluted net loss per share	<u>\$ (0.12)</u>	<u>\$ (0.25)</u>	<u>\$ (0.19)</u>	<u>\$ (0.57)</u>
Weighted average number of shares used to compute Non-GAAP diluted net loss per share	19,460,835	19,798,753	19,442,657	19,750,006