

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

	<u>For the Three</u> <u>months ended</u> <u>June 30, 2006</u> (Unaudited)	<u>For the Three</u> <u>months ended</u> <u>June 30, 2007</u> (Unaudited)	<u>For the Six</u> <u>months ended</u> <u>June 30, 2006</u> (Unaudited)	<u>For the Six</u> <u>months ended</u> <u>June 30, 2007</u> (Unaudited)
Revenues	20,058	21,463	40,104	41,183
Cost of revenues	<u>3,876</u>	<u>4,322</u>	<u>7,741</u>	<u>9,410</u>
Gross profit	<u>16,182</u>	<u>17,141</u>	<u>32,363</u>	<u>31,773</u>
Operating expenses:				
Research and development, net	4,268	5,978	8,100	11,185
Sales and marketing	12,883	14,896	25,006	27,922
General and administrative	<u>1,528</u>	<u>1,825</u>	<u>3,006</u>	<u>3,580</u>
Total operating expenses	<u>18,679</u>	<u>22,699</u>	<u>36,112</u>	<u>42,687</u>
Operating loss	(2,497)	(5,558)	(3,749)	(10,914)
Financial income, net	<u>1,815</u>	<u>1,637</u>	<u>3,415</u>	<u>3,399</u>
Loss before income taxes	(682)	(3,921)	(334)	(7,515)
Income taxes	<u>78</u>	<u>(92)</u>	<u>40</u>	<u>(69)</u>
Net loss	<u>(604)</u>	<u>(4,013)</u>	<u>(294)</u>	<u>(7,584)</u>
Basic net loss per share	<u>\$ (0.03)</u>	<u>\$ (0.21)</u>	<u>\$ (0.02)</u>	<u>\$ (0.39)</u>
Weighted average number of shares used to compute basic loss per share	19,493,518	19,460,835	19,337,817	19,442,657
Diluted net loss per share	<u>\$ (0.03)</u>	<u>\$ (0.21)</u>	<u>\$ (0.02)</u>	<u>\$ (0.39)</u>
Weighted average number of shares used to compute diluted net loss per share	19,493,518	19,460,835	19,337,817	19,442,657

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

	<u>For the Three months ended June 30, 2006</u>	<u>For the Three months ended June 30, 2007</u>	<u>For the Six months ended June 30, 2006</u>	<u>For the Six months ended June 30, 2007</u>
GAAP Net loss	(604)	(4,013)	(294)	(7,584)
Stock-based compensation expenses, included in:				
Cost of revenues	17	22	37	40
Research and development, net	241	347	540	564
Sales and marketing	696	559	1,453	877
General and administrative	116	403	229	784
Income taxes	(117)	-	(233)	-
	<u>953</u>	<u>1,331</u>	<u>2,026</u>	<u>2,265</u>
Amortization of intangible assets and acquisition related expenses, included in:				
Cost of revenues	74	150	148	223
Research and development, net	21	79	42	158
Sales and marketing	39	43	78	82
Income taxes	16	30	32	54
	<u>150</u>	<u>302</u>	<u>300</u>	<u>517</u>
One-time inventory write-off	-	-	-	1,200
Non-GAAP Net income (loss)	<u>499</u>	<u>(2,380)</u>	<u>2,032</u>	<u>(3,602)</u>
Non-GAAP Diluted net earnings (loss) per share	<u>\$ 0.03</u>	<u>\$ (0.12)</u>	<u>\$ 0.10</u>	<u>\$ (0.19)</u>
Weighted average number of shares used to compute Non-GAAP diluted net earnings (loss) per share	19,891,804	19,460,835	20,054,493	19,442,657

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

	December 31, 2006	June 30, 2007
	(Audited)	(Unaudited)
Current assets		
Cash and cash equivalents	25,324	62,433
Short-term marketable securities	115,051	71,140
Trade receivables, net	17,453	13,931
Other receivables and prepaid expenses	1,996	2,702
Inventories	6,892	5,745
	<u>166,716</u>	<u>155,951</u>
Long-term investments		
Long-term bank deposit	9,602	9,541
Long-term marketable securities	14,154	15,148
Severance pay funds	2,907	3,119
	<u>26,663</u>	<u>27,808</u>
Property and equipment, net	<u>9,253</u>	<u>11,267</u>
Other assets		
Intangible assets, net, long-term deferred taxes and other long-term assets	3,582	6,597
Goodwill	9,454	13,474
	<u>13,036</u>	<u>20,071</u>
Total assets	<u><u>215,668</u></u>	<u><u>215,097</u></u>
Current liabilities		
Trade payables	6,956	6,318
Deferred revenues, other payables and accrued expenses	22,354	26,408

	<u>29,310</u>	<u>32,726</u>
Accrued severance pay	<u>3,944</u>	<u>4,589</u>
Total liabilities	<u>33,254</u>	<u>37,315</u>
Shareholders' equity		
Share capital	478	480
Additional paid-in capital	170,110	172,942
Accumulated other comprehensive loss	(242)	(124)
Treasury stock, at cost	(11,069)	(11,069)
Retained earnings	<u>23,137</u>	<u>15,553</u>
Total shareholders' equity	<u>182,414</u>	<u>177,782</u>
Total liabilities and shareholders' equity	<u><u>215,668</u></u>	<u><u>215,097</u></u>