

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

	<u>For the Three</u> <u>months</u> <u>ended March</u> <u>31, 2004</u> (Unaudited)	<u>For the Three</u> <u>months</u> <u>ended March</u> <u>31, 2005</u> (Unaudited)
Revenues	15,522	20,021
Cost of revenues	<u>2,760</u>	<u>3,555</u>
Gross profit	<u>12,762</u>	<u>16,466</u>
Operating expenses:		
Research and development	2,337	3,026
Sales and marketing	7,702	8,996
General and administrative	<u>1,020</u>	<u>1,214</u>
Total operating expenses	<u>11,059</u>	<u>13,236</u>
Operating income	1,703	3,230
Financial income, net	<u>1,052</u>	<u>1,226</u>
Income before income taxes	2,755	4,456
Income taxes	=	<u>55</u>
Income before minority interest in losses of a subsidiary	2,755	4,401
Minority interest in losses of a subsidiary	<u>11</u>	=
Net income	<u>2,766</u>	<u>4,401</u>
Basic net earnings per share	<u>\$</u> <u>0.16</u>	<u>\$</u> <u>0.24</u>
Weighted average number of shares used to compute basic net earnings per share	17,753,507	18,540,984
Diluted net earnings per share	<u>\$</u> <u>0.14</u>	<u>\$</u> <u>0.22</u>
Weighted average number of shares used to compute diluted net earnings per share	20,071,759	20,288,967

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

	December 31, 2004		March 31, 2005
	(Audited)		(Unaudited)
Current assets			
Cash and cash equivalents	8,792 (*)		5,406
Short-term bank deposits	64,892		65,637
Short-term marketable securities	35,336 (*)		28,917
Trade receivables, net	13,166		13,142
Other receivables and prepaid expenses	1,332		1,884
Inventories	4,094		4,463
	<u>127,612</u>		<u>119,449</u>
Long-term investments			
Long-term bank deposits	9,224		9,379
Long-term marketable securities	38,797		52,170
Severance pay funds	1,921		1,960
	<u>49,942</u>		<u>63,509</u>
Property and equipment, net	<u>4,452</u>		<u>5,068</u>
Other assets, net	<u>1,235</u>		<u>1,096</u>
Total assets	<u>183,241</u>		<u>189,122</u>
Current liabilities			
Trade payables	5,075		3,404
Deferred revenues, other payables and accrued expenses	14,850		16,315
	<u>19,925</u>		<u>19,719</u>
Accrued severance pay	<u>2,399</u>		<u>2,457</u>
Total liabilities	<u>22,324</u>		<u>22,176</u>
Shareholders' equity			
Share capital	457		461
Additional paid-in capital	145,439		147,205
Accumulated other comprehensive loss	(52)		(194)
Retained earnings	15,073		19,474
Total shareholders' equity	<u>160,917</u>		<u>166,946</u>
Total liabilities and shareholders' equity	<u>183,241</u>		<u>189,122</u>

(*) Reclassified