

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

	<b>December 31, 2004</b>	<b>June 30, 2005</b>
	(Audited)	(Unaudited)
<b>Current assets</b>		
Cash and cash equivalents	8,792	55,675
Short-term bank deposits	64,892	10,000
Short-term marketable securities	35,336	38,864
Trade receivables, net	13,166	13,321
Other receivables and prepaid expenses	1,332	1,915
Inventories	4,094	4,460
	<u>127,612</u>	<u>124,235</u>
 <b>Long-term investments</b>		
Long-term bank deposits	9,224	9,666
Long-term marketable securities	38,797	52,247
Severance pay funds	1,921	1,936
	<u>49,942</u>	<u>63,849</u>
 Property and equipment, net	<u>4,452</u>	<u>5,365</u>
Other assets, net	<u>1,235</u>	<u>1,021</u>
Total assets	<u>183,241</u>	<u>194,470</u>
 <b>Current liabilities</b>		
Trade payables	5,075	3,915
Deferred revenues, other payables and accrued expenses	14,850	16,789
	<u>19,925</u>	<u>20,704</u>
 Accrued severance pay	<u>2,399</u>	<u>2,438</u>
Total liabilities	<u>22,324</u>	<u>23,142</u>
 <b>Shareholders' equity</b>		
Share capital	457	466
Additional paid-in capital	145,439	150,480
Accumulated other comprehensive loss	(52)	(92)
Retained earnings	15,073	20,474
Total shareholders' equity	<u>160,917</u>	<u>171,328</u>
Total liabilities and shareholders' equity	<u>183,241</u>	<u>194,470</u>

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

	<b><u>For the Three</u> <u>months ended</u> <u>June 30, 2004</u> (Unaudited)</b>	<b><u>For the Three</u> <u>months ended</u> <u>June 30, 2005</u> (Unaudited)</b>	<b><u>For the Six</u> <u>months ended</u> <u>June 30, 2004</u> (Unaudited)</b>	<b><u>For the Six</u> <u>months ended</u> <u>June 30, 2005</u> (Unaudited)</b>
Revenues	16,298	17,507	31,820	37,528
Cost of revenues	<u>2,899</u>	<u>3,491</u>	<u>5,659</u>	<u>7,046</u>
Gross profit	13,399	14,016	26,161	30,482
Operating expenses:				
Research and development	2,467	3,331	4,804	6,357
Sales and marketing	7,805	9,617	15,507	18,613
General and administrative	<u>1,038</u>	<u>1,343</u>	<u>2,058</u>	<u>2,557</u>
Total operating expenses	11,310	14,291	22,369	27,527
Operating income (loss)	2,089	(275)	3,792	2,955
Financial income, net	<u>1,023</u>	<u>1,291</u>	<u>2,075</u>	<u>2,517</u>
Income before income taxes	3,112	1,016	5,867	5,472
Income taxes	<u>93</u>	<u>16</u>	<u>93</u>	<u>71</u>
Income before minority interest in losses of a subsidiary	3,019	1,000	5,774	5,401
Minority interest in losses of a subsidiary	<u>23</u>	<u>-</u>	<u>34</u>	<u>-</u>
Net income	<u><u>3,042</u></u>	<u><u>1,000</u></u>	<u><u>5,808</u></u>	<u><u>5,401</u></u>
Basic net earnings per share	<u><u>\$ 0.17</u></u>	<u><u>\$ 0.05</u></u>	<u><u>\$ 0.33</u></u>	<u><u>\$ 0.29</u></u>
Weighted average number of shares used to compute basic net earnings per share	17,928,570	18,731,856	17,841,039	18,636,420
Diluted net earnings per share	<u><u>\$ 0.16</u></u>	<u><u>\$ 0.05</u></u>	<u><u>\$ 0.29</u></u>	<u><u>\$ 0.27</u></u>
Weighted average number of shares used to compute diluted net earnings per share	19,580,950	20,253,050	19,826,355	20,271,009