

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

	<u>For the Three months ended September 30, 2003</u> (Unaudited)	<u>For the Three months ended September 30, 2004</u> (Unaudited)	<u>For the Nine months ended September 30, 2003</u> (Unaudited)	<u>For the Nine months ended September 30, 2004</u> (Unaudited)
Revenues	14,014	17,572	39,775	49,392
Cost of revenues	<u>2,520</u>	<u>3,130</u>	<u>7,151</u>	<u>8,789</u>
Gross profit	11,494	14,442	32,624	40,603
Research and development	2,147	2,660	6,189	7,464
Sales and marketing	7,329	7,989	22,234	23,496
General and administrative	<u>1,048</u>	<u>1,192</u>	<u>3,108</u>	<u>3,250</u>
Total operating expenses	10,524	11,841	31,531	34,210
Operating income	970	2,601	1,093	6,393
Financial income, net	<u>919</u>	<u>1,137</u>	<u>2,832</u>	<u>3,212</u>
Income before taxes on income	1,889	3,738	3,925	9,605
Taxes on income	<u>-</u>	<u>113</u>	<u>-</u>	<u>206</u>
Income after taxes on income	1,889	3,625	3,925	9,399
Minority interest in losses (earnings) of a subsidiary	<u>(39)</u>	<u>-</u>	<u>(73)</u>	<u>34</u>
Net income	<u><u>1,850</u></u>	<u><u>3,625</u></u>	<u><u>3,852</u></u>	<u><u>9,433</u></u>
Basic net earnings per share	<u><u>\$ 0.11</u></u>	<u><u>\$ 0.20</u></u>	<u><u>\$ 0.23</u></u>	<u><u>\$ 0.53</u></u>
Weighted average number of shares used to compute basic net earnings per share	17,181,665	18,055,063	17,094,728	17,912,380
Diluted net earnings per share	<u><u>\$ 0.10</u></u>	<u><u>\$ 0.19</u></u>	<u><u>\$ 0.21</u></u>	<u><u>\$ 0.48</u></u>
Weighted average number of shares used to compute diluted net earnings per share	19,150,890	19,399,481	18,287,744	19,684,063

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

	December 31, 2003	September 30, 2004
	(Audited)	(Unaudited)
Current assets		
Cash and cash equivalents	31,771	26,804
Short-term bank deposits	-	64,243
Short-term marketable securities	31,111	18,849
Trade receivables, net	9,690	11,654
Other receivables and prepaid expenses	1,089	1,835
Inventories	2,998	3,583
	<u>76,659</u>	<u>126,968</u>
Long-term investments		
Long-term bank deposits	72,017	9,661
Long-term marketable securities	4,122	29,680
Severance pay funds	1,435	1,730
	<u>77,574</u>	<u>41,071</u>
Property and equipment, net	<u>3,479</u>	<u>3,720</u>
Other assets, net	<u>402</u>	<u>1,003</u>
Total assets	<u>158,114</u>	<u>172,762</u>
Current liabilities		
Trade payables	4,285	3,897
Deferred revenues, other payables and accrued expenses	11,897	14,343
	<u>16,182</u>	<u>18,240</u>
Accrued severance pay	<u>1,625</u>	<u>2,070</u>
Minority interest	<u>61</u>	<u>-</u>
Total liabilities	<u>17,868</u>	<u>20,310</u>
Shareholders' equity		
Share capital	439	448
Additional paid-in capital	138,552	141,268
Accumulated other comprehensive loss	(38)	10
Retained earnings	1,293	10,726
Total shareholders' equity	<u>140,246</u>	<u>152,452</u>
Total liabilities and shareholders' equity	<u>158,114</u>	<u>172,762</u>