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

	For the Three months ended September 30, 2003 (Unaudited)	For the Three months ended September 30, 2004 (Unaudited)	For the Nine months ended September 30, 2003 (Unaudited)	For the Nine months ended September 30, 2004 (Unaudited)
Revenues	14,014	17,572	39,775	49,392
Cost of revenues	2,520	3,130	7,151	8,789
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	1,048	1,192	3,108	3,250
Total operating expenses	10,524	11,841	31,531	34,210
Operating income	970	2,601	1,093	6,393
Financial income, net	919	1,137	2,832	3,212
Income before taxes on income	1,889	3,738	3,925	9,605
Taxes on income	<u>-</u>	113		206
Income after taxes on income	1,889	3,625	3,925	9,399
Minority interest in losses (earnings) of a subsidiary Net income	(39) 1,850	3,625	(73) 3,852	34 9,433
Basic net earnings per share	<u>\$ 0.11</u>	\$ 0.20	\$ 0.23	<u>\$ 0.53</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>\$ 0.10</u>	<u>\$ 0.19</u>	<u>\$ 0.21</u>	<u>\$ 0.48</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)

Current assets (Audited) (Unaudited) 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 Inventories 76,659 126,968 Long-term investments 1,009 1,626 Long-term bank deposits 72,017 9,661 Long-term marketable securities 4,122 29,680 Severance pay funds 1,435 1,730 Total assets 1,435 1,730 Total assets, net 30,720 3,720 Other assets, net 402 1,003 Total payables 4,285 3,897 Deferred revenues, other payables and accrued expenses 11,897 14,343 Accrued severance pay 1,625 2,070 Minority interest 61 - Total liabil		December 31, 2003	September 30, 2004
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 3,535 Inventories 2,998 3,535 Long-term investments 76,659 126,968 Long-term bank deposits 72,017 9,661 Long-term marketable securities 4,122 29,680 Severance pay funds 1,435 1,730 Total assets 1,435 1,730 Total assets, net 3,479 3,720 Other assets, net 402 1,003 Total assets 158,114 172,762 Current liabilities 3,897 Deferred revenues, other payables and accrued expenses 4,285 3,897 Deferred revenues, other payables and accrued expenses 11,897 14,343 Accrued severance pay 1,625 2,070		(Audited)	(Unaudited)
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 To,659 126,968 Long-term investments 1 20,908 Long-term bank deposits 72,017 9,661 Long-term marketable securities 4,122 29,680 Severance pay funds 1,435 1,730 Property and equipment, net 3,479 3,720 Other assets, net 402 1,003 Total assets 158,114 172,762 Current liabilities 17 14,343 Trade payables 4,285 3,897 Deferred revenues, other payables and accrued expenses 11,897 14,343 Accrued severance pay 1,625 2,070 Minority interest 61 - Total liabilities 17,868 20,310 Shareholders' equity 439			
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Expenses 1,089 1,835 1,089 1,835 1,089 1,835 1,089 1,835 1,089 1,835 1,089 1,609 1,835 1,089 1,609 1		9,690	11,654
Inventories			
Total liabilities		*	
Long-term investments 72,017 9,661 Long-term bank deposits 72,017 9,661 Long-term marketable securities 4,122 29,680 Severance pay funds 1,435 1,730 77,574 41,071 Property and equipment, net 3,479 3,720 Other assets, net 402 1,003 Total assets 158,114 172,762 Current liabilities 3,897 Trade payables 4,285 3,897 Deferred revenues, other payables and accrued expenses 11,897 14,343 Accrued severance pay 1,625 2,070 Minority interest 61 - Total liabilities 17,868 20,310 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 140,246 152,452 Tot	Inventories		
Long-term bank deposits		76,659	126,968
Long-term marketable securities	Long-term investments		
Severance pay funds 1,435 77,574 41,071 Property and equipment, net Other assets, net Other assets, net Total assets 3,479 3,720 1,003 Total assets 158,114 172,762 Current liabilities 3,897 1,625 3,897 Trade payables of payables and accrued expenses 11,897 14,343 16,182 18,240 Accrued severance pay of payables and accrued expenses 11,625 2,070 18,240 Accrued severance pay of payables and accrued expenses 11,897 14,343 18,240 Accrued severance pay of payables and accrued expenses 11,897 14,343 18,240 Accrued severance pay of payables and accrued expenses 11,897 14,343 18,240 Accrued severance pay of payables and shareholders' equity 1,625 2,070 2,070 14,268 17,868 20,310 Shareholders' equity of payables and payabl	Long-term bank deposits	72,017	9,661
T7,574		4,122	29,680
Property and equipment, net 3,479 3,720 Other assets, net 402 1,003 Total assets 158,114 172,762 Current liabilities Trade payables 4,285 3,897 Deferred revenues, other payables and accrued expenses 11,897 14,343 Accrued severance pay 1,625 2,070 Minority interest 61 - Total liabilities 17,868 20,310 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 140,246 152,452 Total liabilities and shareholders' 140,246 152,452	Severance pay funds		1,730
Other assets, net 402 1,003 Total assets 158,114 172,762 Current liabilities Trade payables 4,285 3,897 Deferred revenues, other payables and accrued expenses 11,897 14,343 Accrued severance pay 1,625 2,070 Minority interest 61 - Total liabilities 17,868 20,310 Shareholders' equity 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 140,246 152,452 Total liabilities and shareholders' 140,246 152,452		77,574	41,071
Other assets, net 402 1,003 Total assets 158,114 172,762 Current liabilities Trade payables 4,285 3,897 Deferred revenues, other payables and accrued expenses 11,897 14,343 Accrued severance pay 1,625 2,070 Minority interest 61 - Total liabilities 17,868 20,310 Shareholders' equity 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 140,246 152,452 Total liabilities and shareholders' 140,246 152,452			
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Current liabilities Trade payables 4,285 3,897 Deferred revenues, other payables and accrued expenses 11,897 14,343 Accrued severance pay 1,625 2,070 Minority interest 61 - Total liabilities 17,868 20,310 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 140,246 152,452 Total liabilities and shareholders'	Other assets, net		
Trade payables 4,285 3,897 Deferred revenues, other payables and accrued expenses 11,897 14,343 Accrued severance pay 1,625 2,070 Minority interest 61 - Total liabilities 17,868 20,310 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 140,246 152,452 Total liabilities and shareholders' 140,246 152,452	Total assets	158,114	172,762
Trade payables 4,285 3,897 Deferred revenues, other payables and accrued expenses 11,897 14,343 Accrued severance pay 1,625 2,070 Minority interest 61 - Total liabilities 17,868 20,310 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 140,246 152,452 Total liabilities and shareholders' 140,246 152,452			
Deferred revenues, other payables and accrued expenses 11,897 14,343 Accrued severance pay 1,625 2,070 Minority interest 61 - Total liabilities 17,868 20,310 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 140,246 152,452 Total liabilities and shareholders' 140,246 152,452		4.00#	2.005
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Accrued severance pay 1,625 2,070 Minority interest 61 - Total liabilities 17,868 20,310 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 140,246 152,452 Total liabilities and shareholders' 152,452		44.00	1.1.0.10
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Minority interest 61 - Total liabilities 17,868 20,310 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 140,246 152,452 Total liabilities and shareholders' 140,246 152,452		16,182	18,240
Minority interest 61 - Total liabilities 17,868 20,310 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 140,246 152,452 Total liabilities and shareholders' 140,246 152,452	Accrued severance pay	1.625	2.070
Total liabilities 17,868 20,310 Shareholders' equity 3 448 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 140,246 152,452 Total liabilities and shareholders' 152,452			
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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 140,246 152,452 Total liabilities and shareholders'			
Additional paid-in capital 138,552 141,268 Accumulated other comprehensive loss (38) 10 Retained earnings 1,293 10,726 Total shareholders' equity 140,246 152,452 Total liabilities and shareholders'			
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Retained earnings1,29310,726Total shareholders' equity140,246152,452Total liabilities and shareholders'	Accumulated other comprehensive		
Total shareholders' equity 140,246 152,452 Total liabilities and shareholders'			
Total liabilities and shareholders'		1,293	10,726
		140,246	152,452
equity 158,114 172,762	Total liabilities and shareholders'		
	equity	158,114	172,762