

**Condensed Consolidated Balance Sheets**  
(U.S. Dollars In thousands)

	<u>December 31, 2001</u>	<u>June 30, 2002</u> (unaudited)
<b>Current assets</b>		
Cash, cash equivalents and Short Term investments	125,680	66,792
Trade receivables, net	7,868	8,789
Other receivables and prepaid expenses	1,174	1,019
Inventories	<u>4,781</u>	<u>4,140</u>
	139,503	80,740
 Property and equipment, net	 <u>4,037</u>	 <u>3,890</u>
Long-term bank deposit	-	<u>57,581</u>
Other assets	<u>921</u>	<u>1,028</u>
Total assets	<u>144,461</u>	<u>143,239</u>
 <b>Current liabilities</b>		
Trade payables	2,541	3,185
Other payables and accrued expenses	<u>12,051</u>	<u>11,871</u>
	<u>14,592</u>	<u>15,056</u>
 Accrued severance pay	 <u>930</u>	 <u>1,031</u>
Minority's interest	<u>1</u>	<u>35</u>
Total liabilities	<u>15,523</u>	<u>16,122</u>
 <b>Shareholders' equity</b>		
Share capital	413	415
Additional paid-in capital	131,615	131,839
Deferred compensation	(394)	(249)
Accumulated deficit	<u>(2,696)</u>	<u>(4,888)</u>
Total shareholders' equity	<u>128,938</u>	<u>127,117</u>
Total liabilities and shareholders' equity	<u>144,461</u>	<u>143,239</u>

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

	<u>For the Three months ended June 30, 2001</u> (Unaudited)	<u>For the Three months ended June 30, 2002</u> (Unaudited)	<u>For the Six months ended June 30, 2001</u> (Unaudited)	<u>For the Six months ended June 30, 2002</u> (Unaudited)
Sales	13,010	10,560	25,820	20,661
Cost of sales	<u>2,378</u>	<u>1,948</u>	<u>4,484</u>	<u>3,805</u>
Gross profit	10,632	8,612	21,336	16,856
Research & Development, net	2,048	1,916	4,026	3,928
Sales & Marketing	7,459	7,550	14,979	14,975
General & Administrative	<u>919</u>	<u>1,024</u>	<u>1,924</u>	<u>2,058</u>
Total operating expenses	10,426	10,490	20,929	20,961
Operating profit (loss)	206	(1,878)	407	(4,105)
Financial income, net	<u>1,873</u>	<u>1,089</u>	<u>3,916</u>	<u>1,947</u>
Income (loss) before taxes on income	2,079	(789)	4,323	(2,158)
Taxes on income	(187)	-	(389)	-
Minority's interest	<u>6</u>	<u>(7)</u>	<u>28</u>	<u>(34)</u>
Net income (loss)	<u><u>1,898</u></u>	<u><u>(796)</u></u>	<u><u>3,962</u></u>	<u><u>(2,192)</u></u>
Basic net income (loss) per share	<u><u>\$ 0.12</u></u>	<u><u>\$ (0.05)</u></u>	<u><u>\$ 0.24</u></u>	<u><u>\$ (0.13)</u></u>
Weighted Average shares used to compute Basic net income (loss) per share	16,399,933	16,565,566	16,369,357	16,552,630
Diluted net income (loss) per share	<u><u>\$ 0.11</u></u>	<u><u>\$ (0.05)</u></u>	<u><u>\$ 0.23</u></u>	<u><u>\$ (0.13)</u></u>
Weighted Average shares used to compute Diluted net income (loss) per share	17,720,004	16,565,566	17,518,897	16,552,630