

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

| | December 31, 2002 | December 31, 2003 |
|---|------------------------------|------------------------------|
| | (Audited) | (Audited) |
| Current assets | | |
| Cash and cash equivalents | 16,097 | 31,771 |
| Short-term marketable securities | 36,177 | 31,111 |
| Trade receivables, net | 8,695 | 9,690 |
| Other receivables and prepaid expenses | 1,152 | 1,089 |
| Inventories | 2,988 | 2,998 |
| | <u>65,109</u> | <u>76,659</u> |
| Long-term investments | | |
| Long-term bank deposits | 59,079 | 72,017 |
| Long-term marketable securities | 13,948 | 4,122 |
| Severance pay fund | 1,107 | 1,435 |
| | <u>74,134</u> | <u>77,574</u> |
| Property and equipment, net | <u>3,644</u> | <u>3,479</u> |
| Other assets | <u>111</u> | <u>402</u> |
| Total assets | <u>142,998</u> | <u>158,114</u> |
| Current liabilities | | |
| Trade payables | 2,612 | 4,285 |
| Deferred revenues | 5,290 | 7,058 |
| Other payables and accrued expenses | 6,517 | 4,839 |
| | <u>14,419</u> | <u>16,182</u> |
| Accrued severance pay | <u>1,191</u> | <u>1,625</u> |
| Minority interest | <u>31</u> | <u>61</u> |
| Total liabilities | <u>15,641</u> | <u>17,868</u> |
| Shareholders' equity | | |
| Share capital | 424 | 440 |
| Additional paid-in capital | 132,005 | 138,552 |
| Treasury stock, at cost | (254) | (254) |
| Deferred stock compensation | (98) | - |
| Accumulated other comprehensive income (loss) | 89 | (38) |
| Retained earnings (accumulated deficit) | <u>(4,809)</u> | <u>1,546</u> |
| Total shareholders' equity | <u>127,357</u> | <u>140,246</u> |
| Total liabilities and shareholders' equity | <u>142,998</u> | <u>158,114</u> |