

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

| | December 31, 2009 | March 31, 2010 |
|--|------------------------------|---------------------------|
| | (Unaudited) | (Unaudited) |
| Current assets | | |
| Cash and cash equivalents | 19,843 | 17,112 |
| Available-for-sale marketable securities | 29,117 | 38,975 |
| Short term bank deposits | 10,130 | 10,286 |
| Trade receivables, net | 16,603 | 12,246 |
| Other receivables and prepaid expenses | 2,934 | 2,790 |
| Inventories | 9,792 | 9,870 |
| | <u>88,419</u> | <u>91,279</u> |
| Long-term investments | | |
| Available-for-sale marketable securities | 42,021 | 47,472 |
| Long-term bank deposits | 25,000 | 25,000 |
| Severance pay funds | 2,514 | 2,600 |
| | <u>69,535</u> | <u>75,072</u> |
| Property and equipment, net | <u>11,220</u> | <u>10,969</u> |
| Other assets | | |
| Intangible assets, net | 14,794 | 13,787 |
| Other long-term assets | 467 | 556 |
| Goodwill | 24,465 | 24,465 |
| | <u>39,726</u> | <u>38,808</u> |
| Total assets | <u>208,900</u> | <u>216,128</u> |
| Current liabilities | | |
| Trade payables | 5,699 | 3,052 |
| Deferred revenues, other payables and accrued expenses | 33,147 | 39,370 |
| | <u>38,846</u> | <u>42,422</u> |
| Long-term liabilities | | |
| | <u>20,581</u> | <u>20,165</u> |
| Shareholders' equity | | |
| Share capital | 465 | 469 |
| Additional paid-in capital | 191,941 | 195,582 |
| Accumulated other comprehensive income | 935 | 769 |
| Treasury stock, at cost | (18,036) | (18,036) |
| Accumulated deficit | (25,832) | (25,243) |
| Total shareholders' equity | <u>149,473</u> | <u>153,541</u> |
| Total liabilities and shareholders' equity | <u>208,900</u> | <u>216,128</u> |

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

For the Three months ended
March 31,

| | <u>2009</u> (Unaudited) | <u>2010</u> (Unaudited) |
|---|-----------------------------------|-----------------------------------|
| Revenues | 20,495 | 33,096 |
| Cost of revenues | <u>4,182</u> | <u>6,698</u> |
| Gross profit | <u>16,313</u> | <u>26,398</u> |
| Operating expenses: | | |
| Research and development | 5,828 | 7,387 |
| Selling and marketing | 11,944 | 15,701 |
| General and administrative | <u>4,539</u> | <u>2,570</u> |
| Total operating expenses | <u>22,311</u> | <u>25,658</u> |
| Operating income (loss) | (5,998) | 740 |
| Financial income, net | <u>97</u> | <u>53</u> |
| Income (loss) before income taxes | (5,901) | 793 |
| Income taxes | <u>(204)</u> | <u>(204)</u> |
| Net income (loss) | <u>(6,105)</u> | <u>589</u> |
| | | |
| Basic net income (loss) per share | <u>\$ (0.32)</u> | <u>\$ 0.03</u> |
| Weighted average number of shares used to compute basic net income (loss) per share | 18,906,493 | 18,970,581 |
| | | |
| Diluted net income (loss) per share | <u>\$ (0.32)</u> | <u>\$ 0.03</u> |
| Weighted average number of shares used to compute diluted net income (loss) per share | 18,906,493 | 20,221,513 |

**Reconciliation of Supplemental Financial Information
(U.S. Dollars in thousands, except share and per share data)**

| | <u>For the Three months ended</u> | |
|--|--|-----------------------|
| | <u>December 31,</u> | |
| | <u>2009</u> | <u>2010</u> |
| | (Unaudited) | (Unaudited) |
| GAAP net income (loss) | <u>(6,105)</u> | <u>589</u> |
| Stock-based compensation expenses, included in: | | |
| Cost of revenues | 21 | 15 |
| Research and development | 297 | 298 |
| Selling and marketing | 493 | 502 |
| General and administrative | <u>493</u> | <u>504</u> |
| | <u>1,304</u> | <u>1,319</u> |
| Amortization of intangible assets included in: | | |
| Cost of revenues | 93 | 379 |
| Selling and marketing | <u>39</u> | <u>630</u> |
| | <u>132</u> | <u>1,009</u> |
| Acquisition related expenses | <u>2,485</u> | <u>-</u> |
| Exchange rate differences, net on balance sheet items included in finance income | <u>545</u> | <u>629</u> |
| Non-GAAP net income (loss) | <u>(1,639)</u> | <u>3,546</u> |
| Non-GAAP diluted net income (loss) per share | <u>\$ (0.09)</u> | <u>\$ 0.18</u> |
| Weighted average number of shares used to compute Non-GAAP diluted net income (loss) per share | 18,906,493 | 20,221,513 |