

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

	December 31, 2009	September 30, 2010
		(Unaudited)
Current assets		
Cash and cash equivalents	19,843	23,544
Available-for-sale marketable securities	29,117	29,204
Short term bank deposits	10,130	27,720
Trade receivables, net	16,603	13,431
Other receivables and prepaid expenses	2,934	3,298
Inventories	9,792	10,175
	<u>88,419</u>	<u>107,372</u>
Long-term investments		
Available-for-sale marketable securities	42,021	66,779
Long-term bank deposits	25,000	25,000
Severance pay funds	2,514	2,659
	<u>69,535</u>	<u>94,438</u>
 Property and equipment, net	 <u>11,220</u>	 <u>10,612</u>
Other assets		
Intangible assets, net	14,794	13,086
Other long-term assets	467	565
Goodwill	24,465	24,465
	<u>39,726</u>	<u>38,116</u>
 Total assets	 <u><u>208,900</u></u>	 <u><u>250,538</u></u>
Current liabilities		
Trade payables	5,699	5,503
Deferred revenues, other payables and accrued expenses	<u>33,147</u>	<u>45,082</u>
	<u>38,846</u>	<u>50,585</u>
Long-term liabilities	<u>20,581</u>	<u>21,076</u>
Shareholders' equity		
Share capital	465	501
Additional paid-in capital	191,941	215,102
Accumulated other comprehensive income	935	1,432
Treasury stock, at cost	(18,036)	(18,036)
Accumulated deficit	(25,832)	(20,122)
Total shareholders' equity	<u>149,473</u>	<u>178,877</u>
 Total liabilities and shareholders' equity	 <u><u>208,900</u></u>	 <u><u>250,538</u></u>

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

	<u>For the three months ended</u> <u>September 30,</u>		<u>For the nine months ended</u> <u>September 30,</u>	
	<u>2009</u> (Unaudited)	<u>2010</u> (Unaudited)	<u>2009</u> (Unaudited)	<u>2010</u> (Unaudited)
Revenues	29,212	36,763	76,786	105,065
Cost of revenues	<u>5,999</u>	<u>7,448</u>	<u>15,767</u>	<u>21,236</u>
Gross profit	<u>23,213</u>	<u>29,315</u>	<u>61,019</u>	<u>83,829</u>
Operating expenses:				
Research and development	6,705	8,240	19,329	23,380
Selling and marketing	14,327	15,934	40,823	47,662
General and administrative	<u>2,506</u>	<u>2,526</u>	<u>9,378</u>	<u>7,656</u>
Total operating expenses	<u>23,538</u>	<u>26,700</u>	<u>69,530</u>	<u>78,698</u>
Operating income (loss)	(325)	2,615	(8,511)	5,131
Financial income, net	<u>682</u>	<u>1,294</u>	<u>1,481</u>	<u>1,202</u>
Income (loss) before income taxes	357	3,909	(7,030)	6,333
Income taxes	<u>(206)</u>	<u>(191)</u>	<u>(593)</u>	<u>(623)</u>
Net Income (loss)	<u><u>151</u></u>	<u><u>3,718</u></u>	<u><u>(7,623)</u></u>	<u><u>5,710</u></u>
Basic net income (loss) per share	<u><u>\$ 0.01</u></u>	<u><u>\$ 0.19</u></u>	<u><u>\$ (0.40)</u></u>	<u><u>\$ 0.30</u></u>
Weighted average number of shares used to compute basic net income (loss) per share	18,860,021	19,711,311	18,878,697	19,286,258
Diluted net income (loss) per share	<u><u>\$ 0.01</u></u>	<u><u>\$ 0.17</u></u>	<u><u>\$ (0.40)</u></u>	<u><u>\$ 0.27</u></u>
Weighted average number of shares used to compute diluted net income (loss) per share	19,036,249	21,921,819	18,878,697	21,146,646

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

	<u>For the Three months ended</u> <u>September 30,</u>		<u>For the nine months ended</u> <u>September 30,</u>	
	<u>2009</u> <u>(Unaudited)</u>	<u>2010</u> <u>(Unaudited)</u>	<u>2009</u> <u>(Unaudited)</u>	<u>2010</u> <u>(Unaudited)</u>
GAAP net Income (loss)	<u>151</u>	<u>3,718</u>	<u>(7,623)</u>	<u>5,710</u>
Stock-based compensation expenses, included in:				
Cost of revenues	13	18	55	47
Research and development	176	365	791	943
Selling and marketing	314	711	1,323	1,766
General and administrative	<u>579</u>	<u>470</u>	<u>1,591</u>	<u>1,380</u>
	<u>1,082</u>	<u>1,564</u>	<u>3,760</u>	<u>4,136</u>
Amortization of intangible assets included in:				
Cost of revenues	427	439	948	1,217
Selling and marketing	<u>630</u>	<u>531</u>	<u>1,299</u>	<u>1,753</u>
	<u>1,057</u>	<u>970</u>	<u>2,247</u>	<u>2,970</u>
Acquisition related expenses	<u>-</u>	<u>-</u>	<u>2,485</u>	<u>-</u>
Exchange rate differences, net on balance sheet items included in finance income	<u>(223)</u>	<u>(616)</u>	<u>116</u>	<u>709</u>
Non-GAAP net income	<u>2,067</u>	<u>5,636</u>	<u>985</u>	<u>13,525</u>
Non-GAAP diluted net income per share	<u>\$ 0.11</u>	<u>\$ 0.26</u>	<u>\$ 0.05</u>	<u>\$ 0.64</u>
Weighted average number of shares used to compute Non-GAAP diluted net income per share	19,036,249	21,921,819	18,963,382	21,146,646