

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

| | December 31, 2009 | December 31, 2010 |
|--|------------------------------|------------------------------|
| | (Audited) | (Unaudited) |
| Current assets | | |
| Cash and cash equivalents | 19,843 | 14,814 |
| Available-for-sale marketable securities | 29,117 | 24,200 |
| Short term bank deposits | 10,130 | 51,911 |
| Trade receivables, net | 16,603 | 16,543 |
| Other receivables and prepaid expenses | 2,934 | 3,402 |
| Inventories | 9,792 | 9,722 |
| | <u>88,419</u> | <u>120,592</u> |
| Long-term investments | | |
| Available-for-sale marketable securities | 42,021 | 82,864 |
| Long-term bank deposits | 25,000 | 5,000 |
| Severance pay funds | 2,514 | 3,342 |
| | <u>69,535</u> | <u>91,206</u> |
| Property and equipment, net | <u>11,220</u> | <u>11,801</u> |
| Other assets | | |
| Intangible assets, net | 14,794 | 12,011 |
| Other long-term assets | 467 | 560 |
| Goodwill | 24,465 | 24,465 |
| | <u>40,726</u> | <u>36,936</u> |
| Total assets | <u><u>208,900</u></u> | <u><u>260,635</u></u> |
| Current liabilities | | |
| Trade payables | 5,699 | 5,913 |
| Deferred revenues | 20,734 | 28,685 |
| Other payables and accrued expenses | 12,413 | 18,538 |
| | <u>38,846</u> | <u>53,136</u> |
| Long-term liabilities | | |
| Deferred revenues | 16,919 | 18,610 |
| Accrued severance pay | 3,662 | 3,899 |
| | <u>20,581</u> | <u>22,509</u> |
| Shareholders' equity | | |
| Share capital | 465 | 506 |
| Additional paid-in capital | 191,941 | 218,593 |
| Accumulated other comprehensive income | 935 | 125 |
| Treasury stock, at cost | (18,036) | (18,036) |
| Accumulated deficit | (25,832) | (16,198) |
| Total shareholders' equity | <u>149,473</u> | <u>184,990</u> |
| Total liabilities and shareholders' equity | <u><u>208,900</u></u> | <u><u>260,635</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>December 31,</u> | | <u>For the Year ended</u> <u>December 31,</u> | |
|---|--|----------------------------|--|----------------------------|
| | <u>2009</u> (Unaudited) | <u>2010</u> (Unaudited) | <u>2009</u> (Audited) | <u>2010</u> (Unaudited) |
| Revenues | 32,118 | 39,054 | 108,904 | 144,119 |
| Cost of revenues | <u>6,564</u> | <u>7,968</u> | <u>23,275</u> | <u>29,204</u> |
| Gross profit | <u>25,554</u> | <u>31,086</u> | <u>85,629</u> | <u>114,915</u> |
| Operating expenses: | | | | |
| Research and development | 6,723 | 8,280 | 25,674 | 31,660 |
| Selling and marketing | 14,873 | 16,947 | 55,130 | 64,609 |
| General and administrative | <u>2,552</u> | <u>2,534</u> | <u>11,930</u> | <u>10,190</u> |
| Total operating expenses | <u>24,148</u> | <u>27,761</u> | <u>92,734</u> | <u>106,459</u> |
| Operating income (loss) | 1,406 | 3,325 | (7,105) | 8,456 |
| Financial income, net | <u>506</u> | <u>855</u> | <u>1,987</u> | <u>2,057</u> |
| Income (loss) before income taxes | 1,912 | 4,180 | (5,118) | 10,513 |
| Income taxes | <u>(225)</u> | <u>(256)</u> | <u>(818)</u> | <u>(879)</u> |
| Net income (loss) | <u>1,687</u> | <u>3,924</u> | <u>(5,936)</u> | <u>9,634</u> |
| | | | | |
| Basic net income (loss) per share | <u>\$ 0.09</u> | <u>\$ 0.19</u> | <u>\$ (0.31)</u> | <u>\$ 0.49</u> |
| | | | | |
| Weighted average number of shares used to compute basic net income (loss) per share | 18,881,697 | 20,360,557 | 18,879,230 | 19,557,545 |
| | | | | |
| Diluted net income (loss) per share | <u>\$ 0.09</u> | <u>\$ 0.17</u> | <u>\$ (0.31)</u> | <u>\$ 0.44</u> |
| | | | | |
| Weighted average number of shares used to compute diluted net income (loss) per share | 19,347,159 | 22,796,721 | 18,879,230 | 21,733,638 |

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>For the Year</u> <u>ended December 31,</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>1,687</u> | <u>3,924</u> | <u>(5,936)</u> | <u>9,634</u> |
| Stock-based compensation expenses, included in: | | | | |
| Cost of revenues | 16 | 16 | 71 | 63 |
| Research and development | 217 | 304 | 630 | 1,247 |
| Selling and marketing | 407 | 627 | 1,164 | 2,393 |
| General and administrative | <u>585</u> | <u>409</u> | <u>2,176</u> | <u>1,789</u> |
| | <u>1,225</u> | <u>1,356</u> | <u>4,041</u> | <u>5,492</u> |
| Amortization of intangible assets and other acquisition related adjustments included in: | | | | |
| Cost of revenues | 427 | 540 | 2,319 | 1,757 |
| Selling and marketing | <u>629</u> | <u>531</u> | <u>1,928</u> | <u>2,284</u> |
| | <u>1,056</u> | <u>1,071</u> | <u>4,247</u> | <u>4,041</u> |
| Acquisition related expenses | <u>-</u> | <u>-</u> | <u>2,485</u> | <u>-</u> |
| Unrealized gain in severance pay funds, included in: | | | | |
| Research and development | - | - | (303) | - |
| Selling and marketing | - | - | (63) | - |
| General and administrative | <u>-</u> | <u>-</u> | <u>(55)</u> | <u>-</u> |
| | <u>-</u> | <u>-</u> | <u>(421)</u> | <u>-</u> |
| Exchange rate differences, net on balance sheet items included in financial income, net | <u>42</u> | <u>212</u> | <u>158</u> | <u>921</u> |
| Non-GAAP net income | <u>4,010</u> | <u>6,563</u> | <u>4,574</u> | <u>20,088</u> |
| Non-GAAP diluted net income per share | <u>\$ 0.21</u> | <u>\$ 0.29</u> | <u>\$ 0.24</u> | <u>\$ 0.92</u> |
| Weighted average number of shares used to compute Non-GAAP diluted net income per share | 19,347,159 | 22,796,721 | 18,945,289 | 21,733,638 |