

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

	December 31, 2008	June 30, 2009
	(Audited)	(Unaudited)
Current assets		
Cash and cash equivalents	28,065	18,968
Available-for-sale marketable securities	60,731	61,896
Trade receivables, net	13,348	15,412
Other receivables and prepaid expenses	2,046	2,362
Inventories	6,712	8,426
	<u>110,902</u>	<u>107,064</u>
Long-term investments		
Available-for-sale marketable securities	45,112	33,873
Severance pay funds	1,995	2,083
	<u>47,107</u>	<u>35,956</u>
 Property and equipment, net	 <u>11,693</u>	 <u>11,937</u>
Other assets		
Goodwill and other intangible assets	<u>15,762</u>	<u>42,774</u>
 Total assets	 <u><u>185,464</u></u>	 <u><u>197,731</u></u>
 Current liabilities		
Trade payables	4,646	4,345
Deferred revenues, other payables and accrued expenses	<u>23,964</u>	<u>35,662</u>
	<u>28,610</u>	<u>40,007</u>
 Long-term liabilities	 <u>8,792</u>	 <u>14,008</u>
 Shareholders' equity		
Share capital	465	463
Additional paid-in capital	185,985	188,663
Accumulated other comprehensive income (loss)	(873)	296
Treasury stock, at cost	(17,619)	(18,036)
Accumulated deficit	(19,896)	(27,670)
Total shareholders' equity	<u>148,062</u>	<u>143,716</u>
 Total liabilities and shareholders' equity	 <u><u>185,464</u></u>	 <u><u>197,731</u></u>

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

	<u>For the Three months ended June 30, 2008</u> (Unaudited)	<u>For the Three months ended June 30, 2009</u> (Unaudited)	<u>For the Six months ended June 30, 2008</u> (Unaudited)	<u>For the Six months ended June 30, 2009</u> (Unaudited)
Revenues	24,021	27,079	46,186	47,574
Cost of revenues	<u>4,942</u>	<u>5,586</u>	<u>9,538</u>	<u>9,768</u>
Gross profit	<u>19,079</u>	<u>21,493</u>	<u>36,648</u>	<u>37,806</u>
Operating expenses:				
Research and development	7,261	6,796	14,559	12,624
Selling and marketing	16,927	14,552	34,187	26,496
General and administrative	<u>2,578</u>	<u>2,333</u>	<u>4,995</u>	<u>6,872</u>
Total operating expenses	<u>26,766</u>	<u>23,681</u>	<u>53,741</u>	<u>45,992</u>
Operating loss	(7,687)	(2,188)	(17,093)	(8,186)
Financial income, net	<u>921</u>	<u>702</u>	<u>2,224</u>	<u>799</u>
Loss before income taxes	(6,766)	(1,486)	(14,869)	(7,387)
Income taxes	<u>(306)</u>	<u>(183)</u>	<u>(533)</u>	<u>(387)</u>
Net loss	<u>(7,072)</u>	<u>(1,669)</u>	<u>(15,402)</u>	<u>(7,774)</u>
Basic and diluted net loss per share	<u>\$ (0.36)</u>	<u>\$ (0.09)</u>	<u>\$ (0.78)</u>	<u>\$ (0.41)</u>
Weighted average number of shares used to compute basic and diluted net loss per share	19,798,753	18,869,577	19,750,006	18,888,035

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

	<u>For the Three</u> <u>months ended</u> <u>June 30, 2008</u>	<u>For the Three</u> <u>months ended</u> <u>June 30, 2009</u>	<u>For the Six</u> <u>months ended</u> <u>June 30, 2008</u>	<u>For the Six</u> <u>months ended</u> <u>June 30, 2009</u>
GAAP net loss	<u>(7,072)</u>	<u>(1,669)</u>	<u>(15,402)</u>	<u>(7,774)</u>
Stock-based compensation expenses, included in:				
Cost of revenues	24	21	53	42
Research and development	387	318	796	615
Selling and marketing	600	516	1,238	1,009
General and administrative	<u>836</u>	<u>519</u>	<u>1,504</u>	<u>1,012</u>
	<u>1,847</u>	<u>1,374</u>	<u>3,591</u>	<u>2,678</u>
Amortization of intangible assets included in:				
Cost of revenues	187	428	375	521
Selling and marketing	39	630	78	669
Income taxes	<u>41</u>	<u>-</u>	<u>82</u>	<u>-</u>
	<u>267</u>	<u>1,058</u>	<u>535</u>	<u>1,190</u>
Acquisition related expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,485</u>
Non-GAAP net income (loss)	<u>(4,958)</u>	<u>763</u>	<u>(11,276)</u>	<u>(1,421)</u>
Non-GAAP diluted net income (loss) per share	<u>\$ (0.25)</u>	<u>\$ 0.04</u>	<u>\$ (0.57)</u>	<u>\$ (0.08)</u>
Weighted average number of shares used to compute Non-GAAP diluted net income (loss) per share	19,798,753	18,869,577	19,750,006	18,888,035